October 16, 2003

# Final Experimental Proposal

I would suggest reading through the lecture notes from the first class again. Keeping those ideas in mind should be very helpful when working on your proposal. Your proposal should include:

1) Economic rationale- why is it interesting?
2) Design
3) Hypothesis
4) Instructions

Please send your ideas to Ernst by October 31 at latest. This can be as little as half a page of brainstorming a few ideas, or a couple pages with an outline of your experiment. Just make sure to give yourself some time to get some feedback before the due date. I would also be happy to talk to you about your ideas- email me at dsabrams@mit.edu or come by E52-201.

The final due date is November 20, and the proposal should be roughly 5-6 pages in length.

These are two pages from Ernst's first lecture describing in a bit more detail what is expected for the proposal and what the components of an experiment are:

**Expected Performance**

- Design an experiment including the writing of instructions and develop behavioral predictions.
- This involves, among other things, answering the following questions:
    - Which economic question do you want to answer with your experiment?
    - What are the potential answers to your question?
    - What are the advantages and disadvantages of an experiment for answering your question?
    - What are the chances that the result of your experiment will surprise others? Will anybody change his/her opinion?
    - How do you conduct the experiment? (Describe the design and write down the instructions)
    - Is your design the simplest possible design to answer your question?

**Components of an Experiment**

- **Environment**:
  - Preferences, technologies, initial endowment
  - ...implemented by appropriate monetary incentives.
- **Institution** (Rules of the game)
  - Feasible actions
  - Sequence of actions
  - Information conditions

  - Lab experiments often (implicitly or explicitly) define a game. => Game theory and experimental economics are strongly related and affect each other.
- **Framing** of instructions.