

## Course Syllabus, ECON 3820, Spring 2025

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Class: Wed 6-9 pm in Warner Hall 113

Office Hours MW 11-12:30 and by appointment.

TAs: TBA (They will attend class but will not hold office hours.)

This course provides an introduction to behavioral economics, based on interactive class simulations or “experiments.” The textbook is *The Economic Experience: An Introduction Through Experiments*, coauthored by Charles Holt and Erica Sprott. This manuscript will be published by Princeton University Press, but if it is not ready by the start of the semester, parts of it will be distributed (no charge) in the second class meeting. The list of topics is provided on the page that follows. We will cover about 16 chapters, one chapter or pair of chapters for each of the 14 weeks of the semester.

Class **attendance is required** (email in advance if you must miss). *You should not take this course if you cannot come to class.* Please remember **bring a laptop** with internet connection so that you can participate in the experiment that will be the basis for the lab report to be completed in class. Students are also required to take a short multiple-choice quiz on **Canvas** (done individually, but open book) after each class.

The class is restricted to a size (30) that permits everyone to participate in class discussions and conferrals with students in neighboring seats. Grades will be based on three equally important components: class attendance and participation (subjective), Canvas quizzes, and a **final project due on last day of our class Wed April 23**, (no more than 5 pages typed, 12-point font, 1.5 lines spacing).

Given the wide range of economics backgrounds of the registered students, the final project is intended to provide a lot of latitude for each person to follow their own interest. The assignment is to suggest a new chapter for the manuscript, based on a particular insight or bias, a sketch of a class experiment (which can be “sketchy”), and one or more ideas for other elements found in the current chapters, e.g, a sample lab report question, or a possible public policy application paragraph patterned after the “what economists do” sections of various chapters. There is no checklist, just think about what you found interesting in current chapters and write something based on your own ideas and interests. Some guidelines for writing style will be provided later.

## *The Economic Experience: An Introduction Through Experiments*

Charles A. Holt, University of Virginia, and Erica R. Sprott, Harvard Kenedy School, forthcoming with Princeton University Press, 2025

This book is intended to provide an experience-based introduction to economics, with a behavioral focus and an active-learning component based on classroom exercises. The presentation is organized around a number of basic principles that underlie an economic way of thinking. These insights are so important that they should be reinforced by a process that allows students to discover the main ideas for themselves after participating in a classroom simulation or “experiment.” The goal is go beyond documenting behavioral anomalies and help students anticipate them in a manner that promotes a deeper understanding and better decision making.

Each chapter has an associated lab report that provides fill-in-the-blank structure for responses and the construction of figures. The lab reports are available in a format that permits easy copying and distribution during class, so that students can work together after the experiment is finished. The motivation is that students do not have to read a lot to learn a lot.

The first three chapters introduce economic thinking and analysis from a behavioral perspective: notions of trust, gains from trade, and marginal analysis. Chapters 4-6 cover basic economic concepts and the price system. Chapters 7-10 are focused on market failures due to monopoly, public goods, externalities, and rent seeking. Chapters 11-13 introduce notions of risk and mechanism design in strategic games and auctions. The final chapters cover behavioral issues that arise in a macroeconomic setting: bank runs, financial markets, and the role of money.

Chapters begin with some warm-up exercises that introduce the context of the experiment, along with relevant parts of the instructions that will be encountered later. After the class experiment, the subsequent lab report helps students discover the main points and make the transition to understanding economic concepts that are explained in more detail in standard textbooks. The “What Economists Do” sections discuss policy applications of the main points. A summary section provides some examples and a big-picture perspective. The goal is to help students understand fundamental economic concepts through an enjoyable interactive experience!

This book is intended to provide an experience-based introduction to economics, with a behavioral focus and an active-learning component with classroom exercises. It may be used as a textbook in a stand-alone course, as a quick economics review for professional school students (MBA, Law, or Public Policy), or as an outline to be supplemented by more diverse readings and applications.

The book is organized around basic principles that underlie an economic way of thinking. These insights are so important that they should be reinforced by allowing students to discover the main ideas for themselves by participating in a classroom simulation or online “experiment.” Each chapter is organized around one (or more) of these experiments. Students will have the chance to get an insider’s feel for how markets and other economic games are played out in a setting that permits interpersonal earnings comparisons. The goal is to go beyond documenting behavioral anomalies and help students navigate and anticipate them in a manner that promotes deeper understanding and better decision making.

The experiments provide data for the lab report used to develop a hands-on understanding of simple (but important) economic insights. The lab reports have a sequential Socratic structure for guiding student discovery of key insights as they use their own experiment data to construct tables and figures. The lab reports are also available from the Princeton University Press website

in a format that permits easy copying and distribution during class, so students can work together after the experiment is finished. The motivation is that students do not have to read a lot to learn a lot.

Chapters begin with some warm-up exercises that introduce the context of the experiment, along with an overview of the instructions. The instructor will set up the experiment and provide the link to access full instructions and decision pages online, either during or after class. Some instructors may prefer non-computerized versions, especially for highly interactive exercises like market trading, and the experiments in many chapters can be done either way. The subsequent lab report helps students appreciate the main points and make the transition to understanding economic concepts that are explained in more detail in standard textbooks. These reports essentially run themselves, giving students a chance to work together as the instructor walks around the classroom to engage with students. The “What Economists Do” sections discuss specific policy applications. A summary section provides examples and a big-picture perspective. Each chapter concludes with a quiz. The goal is to help students appreciate fundamental economic concepts through an enjoyable interactive experience!

The first three chapters introduce economic analysis from a behavioral perspective: notions of trust, bargaining, gains from trade, and marginal analysis. Chapters 4-6 cover basic economic concepts and the price system. Chapters 7-10 are focused on market failures due to monopoly, public goods, congestion, corruption, and rent seeking. Chapters 11-13 introduce risk and mechanism design in strategic games and auctions. The final chapters survey behavioral issues that arise in a macroeconomic setting: bank runs, financial markets, and the role of money in interrelated commodity and labor markets.

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