

BA 4140– STRATEGIC BEHAVIOR AND EXPERIMENTS

Monday, Wednesday 14:40-16:15

<b>Instructor:</b>	Özlem Özdemir
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<b>Office Hours:</b>	15 min. before and after the class or by appointment
<b>Course Web Page:</b>	ODTUClass Course Page
<b>Course Description:</b>	
<p>The course aims to present some theoretical and empirical rules (although no single rule can be employed at all times) that managers, actually all decision makers, can and do use to help make decisions. For that purpose, the theoretical framework of managerial economic decision making will be presented through conducting samples of experiments/games in the classroom (e.g., externalities, winner's curse, cognitive biases). The students will experience different market design that gives them the opportunity to evaluate their own decision making process through a series of classroom experiments.</p>	
<b>Course Student Learning Objectives: (CSLOs)</b>	
<p>Upon successful completion of this course, students should be able to:</p> <p><b>Course Specific Skills:</b></p> <ul style="list-style-type: none"><li>• understand that when the theories are applied to different markets</li><li>• learn how the design/incentives change the market structures and the individual's decisions/behaviors</li></ul> <p><b>Discipline Specific Skills:</b></p> <ul style="list-style-type: none"><li>• connect existing theories with real life applications</li><li>• understand individual decision-making process</li><li>• analyze and find the right incentives to affect decisions beneficial for society</li><li>• learn the usage of experiments for market and policy design</li></ul> <p><b>Personal and Key Skills:</b></p> <ul style="list-style-type: none"><li>• aware of the applied theories to the real business life</li><li>• able to choose the right incentives and motives for managerial objectives</li></ul>	
<b>Learning and Teaching Methods:</b>	
Written exam, oral presentation, written executive report, experiment design and application in class	
<b>Required Reading:</b>	
<ul style="list-style-type: none"><li>• Besanko, D., D. Dranove, M. Shanley, and S. Shaefer (2010) Economics of Strategy, 5<sup>th</sup> ed. John Wiley&amp;Sons.</li><li>• J. Kagel and A. Roth (1997) <u>Handbook of Experimental Economics</u>, Princeton University Press, NJ.</li><li>• N. Bardsley, R. Cubitt, G. Loomes, P. Moffatt, C. Stamer, <u>Experimental Economics: Rethinking the Rules 2010</u> Princeton University Press</li><li>• Readings provided by the instructor in the class</li></ul>	
<b>Suggested Reading:</b>	
<p>Books about behavioral economics and experimental economics written by Daniel Kahneman, Dan Ariely Hayatın İçindeki İktisat-İktisadi Davranışlara Farklı Bir Bakış, 2. Baskı 2021 (2 chapters written by the instructor) Senin Kararın mı? Kamu Politika Tasarımında Davranışsal Yaklaşım (1 chapter written by the instructor) <a href="https://ticaret.gov.tr/data/5b8ec3ce13b8761b8471c1f9/1ebc0d8a6a572cd0a7f4ab084eb63831.pdf">https://ticaret.gov.tr/data/5b8ec3ce13b8761b8471c1f9/1ebc0d8a6a572cd0a7f4ab084eb63831.pdf</a></p>	

Assessment and Grading:				
Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by the assessment	Feedback Method
Exam	25	Essay about 1000 words	1-6,8-9	Written feedback
Assignments	10	Essay about max 1000 words	1-6,8-9	Written feedback
Class Participation*	15	During in-class discussions	1-9	Oral (in class)
Experiment&Presentation	20	Class time period	1-9	Written and oral feedback
Project Report	30	Essay about 3000-5000 words	1-6,8-9	Written feedback
*In order to get a full grade for “Class Participation”, students are required to attend all of the classroom experiments. It is extremely important to participate in all the experiments conducted in the class.				

#### Course Policies:

**STUDENT DISABILITIES:** Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university’s [Disability Support Office](#) (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; [engelsiz@metu.edu.tr](mailto:engelsiz@metu.edu.tr)) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

**ACADEMIC DISHONESTY:** The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BA/MBA/MS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

**CHEATING:** All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty/Institute for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

**PLAGIARISM:** The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately.

## METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned. The students are required to read the chapters and appendices before they are covered in class.

Month	Topic	Reading/Assignment	CSLO
February	Introduction	Internet, Articles, Books	1-8,9
February	“What is Behavioral Economics” “What is Experimental Economics?” <u>Common Cognitive Biases</u>	Internet, Articles, Books	1-8,9
March	Definition of Market-Demand Supply and Market Equilibrium – Policy Implications Strategic Decisions in Competitive Markets Free Entry Exit Experiment	Internet, Books Articles	1-8,9
March	Definition of Market Power- Market Structures and Concentration Ratios – INVITED SPEAKER	Books Articles	1-8,9
March	Strategies in non-competitive markets: Game theoretic approach	Internet, Books	1-8,9
April	Externalities and Asymmetric Information Lemons Market Experiment Network Externality Experiment	Internet, Books	1-8,9
April	Public Good and Discussion on Incentives for Contributions- Public Good Experiment	Internet, Books, Articles	1-8,9
April	Market Design- Incentives and Real-Life Applications- INVITED SPEAKER	Internet, Articles	1-8,9
May	Midterm Exam (will be announced at least one week before)		1-8,9
May	Term Project Group Experiments and Presentations (will be determined during class time by a draw)		1-8,9

**Term Project** will be a group project. You will select a topic out of the list provided by the instructor. Related to your topic, you will find one of the previous experiment designs related to your topic and conduct that experiment in the class. For the appropriateness of the experiments and for scheduling your experiment date-time, you will have to talk with the instructor. You have to present your findings to the class the next meeting of the class right after the date you conducted your experiment. Then, you will write a report summarizing the literature about your topic, explaining your experiment, and finally writing the results of your experiment (and compare it with the results of the previous applications, if available).

**The final report** is due on the final exam date. Late submissions will get zero as a term project grade. Do not ask for extra work to improve your grade.