## **Contents**

1	The Study of Behavior	1
1.1	Introduction	
1.2	Normative Theory and Behavioral Economics	
1.3	The History of Economic Experiments	
1.4	The History of the Neoclassical Rational Choice Model	•
	and the Return of Psychology	13
1.5	External Validity	
1.6	Behavioral Research: An Interdisciplinary Issue	
	References	
2	Methodological Foundations	41
2.1	Introduction	
2.2	It's About Money	
2.2.1	The Induced Value Method	
2.2.2	The Size of Payoffs	
2.2.3	Is It Okay to Take Money from Subjects of Experiments?	
2.2.4	The House Money Effect	
2.3	The Subjects of the Experiment	
2.3.1	Is It Permissible to Lie to Subjects of Experiments?	
2.3.2	Are Students the Right Subjects?	60
2.3.3	What Role Does the Student's Subject of Study Play?	65
2.3.4	Cultural Differences	68
2.4	Preferences, Payoffs and Beliefs	70
2.4.1	Risk Behavior in the Laboratory	
2.4.2	Selecting the Payoff Mechanism	75
2.4.3	Eliciting Beliefs	
2.5	The Influence of the Experimenter	
2.5.1	The Experimenter Demand Effect	83
2.5.2	Double-Blind Design	
2.5.3	The Frame of the Experiment	
2.5.4	Instructions and Comprehension Tests 1	
2.6	Interactions Between the Subjects 1	
2.6.1	Reputation Effects and Social Distance1	05
2.6.2	Communication Effects 1	
2.6.3	Possible Causes of Communication Effects	
2.7	Decisions Made by the Subjects 1	
2.7.1	Strategy Method Versus Direct Response 1	
2.7.2	Experiments with Real Effort1	22
2.7.3	Within- Versus Between-Subject Design	25



2.8	The Repetition of Games	
2.8.1	Repetition Within a Session	
2.8.2	The Repetition of Sessions	
2.9	The Reproducibility of Experiments	
	References	138
3	Experimental Practice	147
3.1	Setting Up an Experimental Laboratory	148
3.2	Preparing an Experiment	154
3.2.1	Choosing the Design and the Treatments	154
3.2.2	Instructions, Recruiting, Plan of Procedure und Pilot Experiment	159
3.3	Conducting an Experiment	163
3.3.1	Access to the Laboratory, Instructions, Unusual Incidents	163
3.3.2	Organizing the Payments to the Subjects	165
	References	168
4	The Experiment from a Statistical Perspective	169
4.1	Introduction	
4.2	Operationalizing the Research Question	
4.2.1	Construct Validity	
4.2.2	Types of Variables	
4.2.3	Control, Randomization and Sample Size	
4.2.4	Scales of Measurement	
4.2.5	Random Variables and Their Distribution	
4.3	Creating the Statistical Design	
4.3.1	Compiling the Observation Units	
4.3.2	How Do Experimental Treatments Differ?	
4.4	Statistical Tests	
4.4.1	Formulating Testable Hypotheses	
4.4.2	How Inferential Statistics Works	
4.4.3	Possible Errors and Power of a Test	
4.5	Power Analysis	
4.5.1	Basics	
4.5.2	BEAN and the Optimal Sample Size	
4.5.3	Power Analysis and the "Hard Truth" of its Results	
4.5.4	Misapplications and Misunderstandings in Power Analyses	
4.6	Choosing Statistical Tests	
4.6.1	What Should be Taken into Consideration?	
4.6.2	Classifying Test Methods	
4.6.3	How Do I Choose a Specific Test?	
4.6.4	The z-Test und t-Test for One Sample	
4.6.5	t-Test for Two Independent Samples (Between-Subject Comparison)	
4.6.6	t-Test for Two Dependent Samples (Within-Subject Comparison)	
4.6.7	Kolmogorov Test	
4.6.8	The Wilcoxon Rank-Sum Test and the Mann-Whitney U Test	
4.6.9	Wilcoxon Signed-Rank Test (Two Dependent Samples)	

## Contents

4.6.10	The Binomial Test	. 227
4.6.11	The Multinomial Test (1 × k)	. 230
4.6.12	Fisher's Exact Test (2 × 2)	. 233
4.6.13	$\chi^2$ Test (2 × $k$ )	. 237
4.6.14	McNemar Test	. 241
4.7	Statistical Models	. 244
4.7.1	The Fundamentals	. 244
4.7.2	Using Statistical Models	. 249
4.7.3	The Linear Model (LM)	. 251
4.7.4	Models for Discrete and/or Non-Normally Distributed	
	Dependent Variables	. 255
4.7.5	Models for Statistically Dependent Observations	. 259
4.7.6	Models with Limited Dependent Variables	
4.8	Statistics Software	. 285
	References	. 286
	Supplementary Information	
	Appendix	. 290
	Index	