

# Contents

---

<i>List of figures</i>	page ix
<i>List of tables</i>	x
<b>1 Introduction</b>	<b>1</b>
1.1 Introduction	1
1.2 Why experimental auctions?	3
1.3 What is an experimental auction?	5
1.4 Purpose of this book and boundaries of coverage	17
<b>2 Incentive compatible auctions: theory and evidence</b>	<b>19</b>
2.1 Introduction	19
2.2 Theory of incentive compatible auctions	20
2.3 Evidence from induced value auctions	27
<b>3 Value theory</b>	<b>34</b>
3.1 Introduction	34
3.2 Valuation under certainty	34
3.3 Valuation under uncertainty	37
3.4 Valuation in a dynamic environment with uncertainty, limited information, and irreversibility	43
3.5 Summary	44
<b>4 Conducting experimental auctions: some preliminaries</b>	<b>46</b>
4.1 Introduction	46
4.2 Experimental design	47
4.3 Sample size determination	55
4.4 Experiment setting and context: field versus laboratory	57
4.5 Conclusions	61
<b>5 Conducting experimental auctions</b>	<b>62</b>
5.1 Introduction	62
5.2 Training and practice	62
5.3 Endowment versus full bidding	65
5.4 Choosing an auction mechanism	69
5.5 Multiple good valuation, demand reduction, and field substitutes	76
5.6 Learning and affiliation in repeated bidding rounds	80
5.7 Negative values	92
5.8 Conclusions	94

6	Data analysis	95
6.1	Introduction	95
6.2	Censored regressions with auction bids	95
6.3	Quantile regression with auction bids	100
6.4	Panel data regression with auction bids	103
6.5	Other types of data analysis with auction bids	106
6.6	Conclusions	112
7	Valuation case studies	113
7.1	Introduction	113
7.2	Informing Policy I: beef tenderness grading system	113
7.3	Informing Policy II: valuing safer food	121
7.4	Informing Policy III: tolerance for genetically modified food	129
7.5	Marketing I: forecasting market share of a new product	137
7.6	Marketing II: preferences for fresh food with multiple quality attributes	141
7.7	Marketing III: the value of farm financial records	149
7.8	Controversial goods I: demand for genetically modified food in three countries	154
7.9	Controversial goods II: irradiation	163
7.10	Controversial goods III: food from animals treated with growth hormones	169
7.11	Concluding comments	174
	Appendices	175
8	Auction design: case studies	196
8.1	Introduction	196
8.2	Preference learning	196
8.3	Willingness to pay, willingness to accept, and the auction mechanism	199
8.4	Second price auction tournaments	209
8.5	Preferences: fixed or fungible?	217
8.6	Gift exchange	225
8.7	Calibration of real and hypothetical auction bids	229
8.8	Hybrid auctions and consequential bidding	239
8.9	Concluding remarks	245
9	Validity of experimental auctions	247
9.1	Introduction	247
9.2	Auction bids and economic theory	248
9.3	Reliability	252
9.4	Convergent validity	255
9.5	Anomalies	261
9.6	Summary	267
10	The future of experimental auctions	269
10.1	Introduction	269
10.2	Ten questions worthy of future research	270
10.3	Concluding remarks	278
	<i>References</i>	279
	<i>Index</i>	297