

Responses to referee 1's report

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Thanks to the referee for the helpful suggestions. I read them carefully and my responses are as follows:

1. Yes, I have changed “ All treatments are demand-revealing except for the hypothetical baseline ” to “The promise, monetary incentives, and monetary incentives+promise treatments are demand- revealing. The hypothetical baseline treatment is not demand-revealing.”
2. Thank you for the suggestion. I have moved footnote 1 to the main text and made it shorter as follows:

“Cummings and Taylor [1999] introduce a cheap talk script by informing subjects there is a tendency for them to overestimate the willingness to pay. They find that cheap talk can reduce the hypothetical bias and perform equally as well as real monetary incentives in referendums of public goods. However, the effect of cheap talk depends on the length of the script and the type of respondent. Aadland and Caplan [2006] use a short and neutral cheap talk script in a 4,000-household phone contingent valuation survey and find that the cheap talk script exacerbates the hypothetical bias. They suggest caution in using cheap talk to

control the hypothetical bias ex-ante. Contemporary guidance for CVM studies is compiled by renowned environmental economists to promote the best practice of CVM and to increase its reliability ...”

For footnote 2, I’ve made it shorter.

“Vickrey [1961]’s second-price auction has been a popular tool in the lab to elicit subjects’ preferences for private goods. The Vickrey second-price auction works as follows: each subject submits his/her bid for a private good, and the bids are ranked from highest to lowest. The highest bidder wins the good and pays the second-highest price.”

3. Thanks. The chosen of China as a country where a promise is better suited than an oath is based on convenience purposes. The question that the paper is asking is whether a promise script works to reduce the hypothetical bias. I use China as an example to answer the question. I refer to Carlsson et al. (2013) and explain why it is more natural to use a promise script in China. I have rewritten paragraph two as below:

“Although oaths work well in reducing the hypothetical bias, it might be too strong a mechanism. Oaths are rare and typically used only in serious situations such as the court, marriage, or joining a political party. Overuse of the oath may weaken its power. I step back and use a weaker version of the oath: a promise. The open question I consider is whether the promise is still a sufficiently strong commitment device to induce truth-telling in preference elicitation. If so, the promise could be used as a substitute for an oath in stated preference methods without a loss of commitment. If not, the oath is still the non-market commitment mechanism that one needs to use to generate more sincere bidding in preference elicitation.”

4. Agreed. I've deleted the sentence "I run the experiments in China" on page 4.

5. Yes, I've explained the BDM as follows:

"The merits of this mechanism are that it separates what you pay from what you say like the Vickrey auction and it also has more than one winner like the BDM (Becker-deGroot-Marschak) mechanism (Becker et al., 1964)."

6. Thanks for catching the typo. $2 - N$ should be 2 to N . I've followed your advice and used $[2, N]$. On P.6, $N - 1$ is correct.

7. It is in Experimental Currency Unit (ECU) and $3\text{ECU}=1\text{RMB}$. I've explained it in the text as follows:

"The demand curve is 84; 76; 71; 68; 65; 63; 53; 38; 24 (It is similar to Jacquemet et al. (2013)). It is in Experimental Currency Unit (ECU) and 3 ECU=1 RMB."

8. Good suggestion. In Xi'an, where the experiment is run, a student is paid 8 RMB /hour on campus on average. I've included the information in the text as follows:

"The experiment lasts around an hour and a half, and the take-home earnings are 30 yuan in the baseline and promise treatments and 48.1 yuan in the real monetary incentive treatment. In Xi'an, a student is paid 8 RMB /hour on campus on average."

9. Each subject is asked to freely read aloud the promise script and sign it. I've changed the sentence to:

"In the promise treatment, each subject is asked to freely read aloud the promise script and sign it before entering the lab."

10. Yes, it is redundant. I've removed the following two sentences on p.8:

“At the individual bid level, experimental evidence shows that a random nth-price auction can engage both on-margin bidders and off-margin bidders (Shogren et al., 2001b). This is contrary to the second-price auction, which typically only engages on-margin bidders, that is, those whose private value is at the higher end of the distribution (Parkhurst et al. (2004); Jacquemet et al. (2013)).”

11. Private value is the same as induced value. I've now explained it on p.8 as follows:

“Table 5 shows the frequency of actual bids relative to private values, which is the same as induced value.”

12. Thanks for catching the error. It should be Table 4. I've corrected it.

13. Yes, there are 18 subjects per treatment. They are divided into 2 groups.

14. In the reported regression, I didn't control for subject socioeconomic characteristics. After controlling for subject socioeconomic characteristics such as age, gender, and party affiliation, the results do not change. Age, gender, and party affiliation have no significant effect on subjects' bids. I've made the changes and reported it here.

Minor comments

Thanks for catching these typing issues. I've fixed them.

I appreciate the referee for spending time and efforts to help improve the paper. Thank you very much for all the suggestions.

Table 1: IV bidding behavior - Individual random effect model estimation

	Baseline	Promise	Monetary incentives	Monetary incentives+Promise
VARIABLE	bid	bid	bid	bid
Resale value	1.315*** (0.297)	1.047*** (0.0929)	1.071*** (0.0519)	0.993*** (0.0762)
Round Dummies	Yes	Yes	Yes	Yes
Age	5.369 (9.527)	-1.827 (3.591)	1.380 (1.684)	2.415 (2.389)
Gender	7.753 (32.37)	5.432 (11.36)	-3.784 (5.389)	-5.367 (9.252)
Party	19.35 (22.63)	12.81 (11.84)	-2.567 (5.003)	14.02 (12.64)
Constant	-26.91 (95.63)	-17.03 (36.19)	3.484 (13.45)	-15.81 (29.94)
σ_μ	31.507	20.211	8.830	14.687
σ_ϵ	67.641	21.153	11.809	17.355
Wald χ^2	27.28	142.65	430.59	179.36
Observations	162	162	162	162

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$