Draft response

Good morning all,

We have had some time to go over the reviewer comments and have identified the major concerns that were raised. Given that these points may require substantial changes to the manuscript, we’re asking that you can provide some feedback specifically on the following four issues so that we can plan our response and potential changes.

1. We have been asked to provide a more extensive treatment of the iterative prospect theory model, particularly in regard to the implications of multiple players in auctions. Marc has already provided a few articles for us to review to help place prospect theory within the Dutch auction literature, but we would appreciate any additional comments from Mark and Scott regarding your thoughts on the group level contributions of the model.

1. The manuscript currently reports the mean bid across the 5 blocks to assess learning effects. The feedback has been that, although the explanation and general discussion was useful, it was difficult to determine the utility of the analysis given that there is no development or testing of any learning theory.

Experienced bidders have been shown to bid differently to inexperienced bidders. We found that participant groups did not significantly change their bids across the experiment. We include this result to discuss other findings against this foundation. However, given the reviewers concerns, we believe that the removal of this section is appropriate as it does not particularly contribute meaningfully to the manuscript and will help focus the manuscript on the behavioural properties and implications of the study.

1. A further concern regarded our comparison between the human vs human condition and the human vs computer condition. The computer condition is flawed as an equivalent comparator in two ways as (i) participants completed this condition with both a greater warehouse capacity and funds, and (ii) participants competed against one computer competitor compared with two competitors in the human vs human condition.

The two issues are intrinsically related – we increased participant funds and warehouse capacity to account for the reduced number of competitors. This is a significant methodological fault that we could not resolve at the time of coding the experiment.

Although we can use the computer condition to show that participants bid differently in group conditions, we agree with the reviewers that this is not a fair comparison and suggest that the human vs computer analysis also be removed from the manuscript.

1. Finally, we present our adaptation of prospect theory with parameters chosen to produce outcomes that reflect the experimental data. We present this comparison as a sufficiency proof to show that the iterative model can provide an account for the data. The reviewer concern is that this is inadequate and does not provide meaningful behavioural insight.

Our current impression is that this issue will be somewhat alleviated by addressing the other minor points, and the first point raised here (i.e., further development of the model implications), however we welcome any feedback or recommendations on how to address this concern.

We appreciate your input and please let me know if you would like further clarification on our position on these points or any of the other points raised by the reviewers.

Regards,

Murray Bennett