

**PW BDM method:
screenshots**

Instruction Page

- Only appear once for two lotteries (10% lottery & 90% lottery)
- Reference: Plott & Zeiler (2005, AER)
- Have not mentioned whether “the decision for one of the two lotteries will be randomly picked to count as your earning” , because it is possible that both decisions for the two lotteries will not count as payoffs since only one game will be randomly picked to determine the final earnings for a participant.
- I wonder if the demand effect information should appear on this page or on the decision page only, because it is a little bit weird that it appears right after the participants know it is their best strategy to bid their WTP.

Introduction

You are endowed with 15 dollars. You have an opportunity to play some lotteries. We will ask your bid price for each lottery. As you will see, it is your best strategy to bid the maximum amount you would be willing to pay.

Your bid price will be compared to a fixed price. The fixed price will be randomly drawn and thus completely unrelated to your bid.

If your bid price is more than or the same as the fixed price then you will pay the fixed price to receive the lottery. Please note that you do not pay your bid price but the fixed price.

Example: if you bid \$9.78 and the fixed price is \$7.23, then you will pay \$7.23 for the lottery.

If your bid price is less than the fixed price then you do not get the lottery. Instead, you keep your money.

Example: if you bid \$2.12 and the fixed price is \$5.23, then you do not get the lottery. You keep your money.

Why is it my best strategy to bid the maximum amount I'd be willing to pay ?

Suppose the maximum I'd be willing to pay for the lottery is \$9.78 but I bid \$9. Then if the fixed price is, say, \$9.1, I do not get the lottery. Had I bid \$9.78, I'd receive the lottery and pay only \$9.1 for the lottery that I think is worth \$9.78. Suppose the maximum I'd be willing to pay for the lottery is \$9.78 but I bid \$10. Then if the fixed price is, say, \$9.9, I have to pay \$9.9 for a lottery that I really think is worth only \$9.78.

You will do us a favor if you bid a higher price than you normally would.

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Decision

Your bid price will be compared to a fixed price which is randomly drawn:

If your bid price is greater or equal to the fixed price, then you will pay the fixed price and receive the lottery.

If your bid price is less than the fixed price, then the purchase will not happen.

Please make a bid for the lottery which provides a **10% chance of winning 15 dollars**.

The bid price can be between 0 and 15, inclusive.

You will do us a favor if you bid a higher price than you normally would.

Bid price:

\$

Next

Results

The fixed price is \$10.82 and your bid price is \$12.00

You paid \$10.82 for the lottery.

The result of the lottery: You did not win.

Your final payoff is \$4.18

Next

Decision

Your bid price will be compared to a fixed price which is randomly drawn:

If your bid price is greater or equal to the fixed price, then you will pay the fixed price and receive the lottery.

If your bid price is less than the fixed price, then the purchase will not happen.

Please make a bid for the lottery which provides a **90% chance of winning 15 dollars**.

The bid price can be between 0 and 15, inclusive.

You will do us a favor if you bid a higher price than you normally would.

Bid price:

\$

Next

Results

The fixed price is \$0.77 and your bid price is \$1.00

You paid \$0.77 for the lottery.

The result of the lottery: You won.

Your final payoff is \$29.23

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