



# Experimental Economics

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*All models are wrong, but some are useful.*

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## Chapter 1 Becker-DeGroot-Marschak Mechanism

[Karni and Safra(1987)] showed that the BDM is not incentive compatible when the object being valued is a lottery. The BDM can elicit the certainty equivalents of given lotteries if and only if the respondent's preferences can be represented by expected utility functional.

## Bibliography

[Karni and Safra(1987)] Karni, E. and Safra, Z. (1987). " preference reversal" and the observability of preferences by experimental methods. *Econometrica: Journal of the Econometric Society*, pages 675–685.