It's All Relative: Consistent Marginal Effects with Willingness to Pay and Willingness to Accept Framing in Experimental Auctions*

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Abstract

When eliciting consumer preferences for controversial products—an increasing number of which exist due to increasing demographic diversity and political polarization—conventional assumptions that all individuals derive positive marginal utility from consumption are challenged. It is relatively easy to adjust hypothetical stated preference questionnaires to include negative willingness to pay (WTP), but few studies on controversial products investigate how individuals behave using incentive-compatible revealed preference techniques. Using a framed field experiment with 292 adult subjects, we fill this gap by comparing the differences and similarities between a set of results that arise from the Becker-DeGroot-Marschak (BDM) mechanism between WTP versus willingness to accept (WTA) elicitation methods. This study has two main findings. First, in economic experiments eliciting preferences for controversial products, neither the WTP nor the WTA method fully discovers the true valuation range across all participants. Second, despite framing effects that give rise to different bid distributions, relative revealed preferences for the examined products are consistent under various interventions, indicating that WTP and WTA estimates have consistent policy implications.

Keywords: Controversial products, Framing, Product Labeling, Willingness to Pay, Negative Willingness to Pay

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