

CORE DISCUSSION PAPER  
2005/39

## FIXED PRICE PLUS RATIONING: AN EXPERIMENT

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June 2005

### Abstract

This paper explores, theoretically and experimentally, a fixed-price mechanism by which, if aggregate demand exceeds supply, bidders are proportionally rationed. If demand is uncertain, equilibrium consists in overstating true demand to alleviate the effects of being rationed. Overstating is more intense the lower the price, with bids reaching their upper limit for sufficiently low prices. In the experiment, despite of a significant proportion of equilibrium play, subjects tend to (under)overbid the equilibrium strategy when rationing is (high) low, with only this latter effect being persistent over time. We explain the experimental evidence by a simple model in which the probability of a deviation is decreasing in the expected loss associated with it.

**Keywords:** fixed price mechanism, rationing, experimental economics.

*JEL Classification:* C90, D45.

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We are grateful to Lola Collado, Jacob Goeree, Angel Hernando, Georg Kirchsteiger, Ricardo Martinez, Theo Offermann, seminar participants in Alicante, Amsterdam, Ferrara, Louvain-la-Neuve (CORE) and Milano (Bocconi University), and the 2004 “Experimental Economics” course participants at the University of Alicante for stimulating comments and suggestions. We also thank Carlos Belando, Lourdes Garrido and all people at the Laboratory for Theoretical and Experimental Economics (LaTeX) of the University of Alicante for their valuable help to run the experiment. Usual disclaimers apply. Financial support from MCyT (BEC2001-0980) and the Instituto Valenciano de Investigaciones Economicas (IVIE) is gratefully acknowledged.

This paper presents research results of the Belgian Program on Interuniversity Poles of Attraction initiated by the Belgian State, Prime Minister’s Office, Science Policy Programming. The scientific responsibility is assumed by the authors.