

The Imagination Market
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DISCUSSION

**An Economist's Perspective on
the Market for Ideas**

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Market for Ideas

In my mind, two main challenges:

- 1. Incentives for creation** of ideas
 - 2. Accuracy in evaluation** of ideas
- [these activities are complementary]

How does *proposed market design* address these challenges?

How does it compare to *alternative* systems?

1. Creation of Ideas

Main challenge:

“*Appropriability*” of returns from idea

Example of solution:

(Open) “*Science*” makes ideas **publicly available**

But creates [baroque!] **reputation system** to reward
priority in discovery

2. Evaluation of Ideas

Main challenges:

- Incentives for **information collection**
- Trade off between expertise and **bias**

Example of solution:

Science uses *peer evaluation system*:

Successful researchers evaluate juniors' ideas

Underlying assumption: good researchers are good evaluators...

The Imagination Market

- Ideas screened by committee of experts
- Evaluation of ideas according to market prices
- Budget allocated to “best” idea [*appropriability*]
- Small incentives to traders [*evaluation accuracy*]

Distinctive feature: no ex-post information used

Great test bed for market design!

Concerns

My main concern is *bias in evaluation*:

- Market is pure “beauty contest”: bubbles/fads?
- Manipulation by proposers
- Biases according to (i) proposer’s area or (ii) ability to communicate idea

Suggestions

Suggest to document presence (or absence!) of bias

- Document role played by proposers, depending on seniority & technical area
- Collect initial evaluation by experts & compare
- Add ex-post information/validation component