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 \([\text{appropriability}]\)
- Small incentives to traders \([\text{evaluation accuracy}]\)

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