

THE GEORGIA IRRIGATION REDUCTION AUCTION: EXPERIMENTS AND IMPLEMENTATION

Ronald G. Cummings, Charles A. Holt, and Susan K. Laury*

January 2002

Abstract: In April 2000, the Georgia legislature passed a law requiring that the state use an unspecified “auction-like process” to pay some farmers to suspend irrigation in declared drought years. In response, we conducted a series of experiments that tested a variety of auction procedures. This paper reports the results of the laboratory and field experiments that were used by policy makers who determined the auction procedures. The results of these experiments are compared with farmers’ bidding behavior in the state-run irrigation auction conducted in March 2001.

* Cummings and Laury: Andrew Young School of Policy Studies, Georgia State University, University Plaza, Atlanta, GA 30303-3083. Holt: Economics, University of Virginia, Charlottesville, VA 22904-4182 (Holt was also a visiting scholar at Georgia State during the spring and summer of 2001). The authors gratefully acknowledge funding from the Georgia State University Experimental Economics Laboratory, the National Science Foundation (SBR-0094800), and the University of Virginia Bankard Fund for Political Economy.