

**Discussant's comments on: Incentives, Learning
and Processing of Information in a Market Environment:
An Examination of the Base-Rate Fallacy**

Charles A. Holt

in S. Moriarity (ed.), *Laboratory Market Research*,
University of Oklahoma, 1986, 80-85.

Summary: This paper reviews several laboratory experiments designed to evaluate the use of Bayes' rule in economic situations. The Duh and Sunder (1985) study is significant because it provides operational versions of non-Bayesian theories and because it provides a market setting in which alternative theories can be tested. The introduction of the auxiliary assumption of risk neutrality seems to preclude tests of the Bayesian theory that are sharp enough to satisfy those with strongly held beliefs about the descriptive power of Bayes' rule. But it is interesting to note that the Bayesian model with risk neutrality yields remarkably good predictions in this context.