A Theory of Experimenters*

Abhijit Banerjee
Massachusetts Institute of
of Technology and NBER
banerjee@mit.edu
economics.mit.edu/faculty/banerjee/

Sylvain Chassang
New York University
chassang@nyu.edu
princeton.edu/∼chassang/

Sergio Montero
California Institute
of Technology
smontero@caltech.edu
hss.caltech.edu/∼smontero/

Erik Snowberg
California Institute
of Technology and NBER
snowberg@caltech.edu
hss.caltech.edu/∼snowberg/

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PRELIMINARY

Abstract

This paper proposes a decision-theoretic framework for experiment design. We model experimenters as ambiguity averse decision-makers, who trade-off subjective expected performance and robustness. This framework suitably accounts for experimenters' preferences for randomization, and the circumstances in which randomization occurs: whenever available sample size becomes large enough. We illustrate the practical value of such a framework by studying the issue of rerandomization. We show that rerandomization creates a trade-off between subjective performance and robustness but that loss in robustness due to rerandomization grow very slowly with the number of assignment draws. This lets us propose a simple, principled rule of thumb for rerandomization.

KEYWORDS: experiment design, robustness, ambiguity aversion, rerandomization

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1 Introduction

As the use of experiments spreads in academia, business, and public policy, there has been a growing need to clarify best-practices ensuring the reliability of experimental findings. The experimental community has responded through the introduction of registries, and spirited discussions of practices such as pre-analysis plans, rerandomization, and statistical techniques (Bruhn and McKenzie, 2009; Deaton, 2010; Duflo et al., 2008; Humphreys et al., 2013; Imbens, 2010; Olken, 2015; Athey and Imbens, 2016). Surprisingly, there is no comprehensive decision theoretic framework for experiment design to guide these efforts. This paper seeks to provide such a framework.

Models of information acquisition feature prominently in modern microeconomic theory (Rothschild, 1974; Grossman and Stiglitz, 1980; Aghion et al., 1991; Bergemann and Välimäki, 1996; Persico, 2000; Bergemann and Välimäki, 2002, 2006). Unfortunately, they fail to predict a key feature of the way scientists learn: by running randomized controlled trials (RCTs; see Kasy, 2013). The reason for this is that much of applied microeconomic theory models decision-makers using subjective expected utility (Savage, 1954). Mixed strategies are never strictly optimal for such a decision-maker. Since RCTs are mixed strategies over experimental assignments, they can never be strictly optimal.

As experimenters often incur significant expense to randomize their experimental allocations, any useful decision-theoretic framework for experiment design must first account for such preferences. We propose to replace subjective expected utility with ambiguity averse preferences, specifically minmax expected utility of the form axiomatized by Gilboa and Schmeidler (1989). In our model, an ambiguity averse decision-maker must make a binary policy choice $a \in \{0, 1\}$ affecting a population of individuals with characteristics $x \in X \subset \mathbb{R}^m$ and conditionally independent outcomes. To improve the quality of her decision-making, the decision-maker runs an experiment that assigns a given number N of participants to either treatment or control. Each experimental participant obtains an outcome $y \in \{0, 1\}$ observed

by the decision-maker. The decision-maker's final policy choice depends on the experimental assignment and outcomes.

Under an innocuous assumption, the decision-maker can be thought of as maximizing the weighted average of a Bayesian subjective expected utility term, and an adversarial maxmin-expected-utility term capturing the robustness of decision rules. Under this decomposition the decision-maker can be interpreted as maximizing her payoffs under her own subjective view of the world, while also trying to satisfy an adversarial audience with non-common priors, and veto power. The relative weights that the decision-maker places on the subjective and maxmin terms permit informative comparative static exercises.

The paper reports two main sets of results. First, we show that RCTs can be optimal for an ambiguity-averse decision-maker, and clarify the circumstances in which it is the case. If the decision-maker places non-zero weight on satisfying her adversarial audience, then, for sufficiently large sample sizes, it is always strictly optimal for the decision-maker to use a RCT. The value of randomness is that it allows audience members with non-common priors to agree on an ex ante course of action. RCTs permit robust, prior-free inference, and achieve assignment losses of order $1/\sqrt{N}$. Inversely, deterministic experiments are generically strictly optimal when the sample size is small, or when the decision-maker puts sufficiently high weight on her subjective expected utility.

Our model fits the observed heterogeneity in experimental practive well. Randomized experiments tend to be used by decision-makers who put a high value on convincing an adversarial audience (scientists, pharmaceutical companies), or when the decision-maker can afford large samples (A/B testing in online marketing). Whenever data points are expensive and the decision-maker puts little weight on satisfying an adversarial audience (private firms testing new products in select markets, politicians testing platforms in specific states, etc. . .), optimal experiments are deterministic, and finely optimize the subjective decision-making value of each acquired data point.

Our second set of results examines rerandomization (Morgan and Rubin, 2012). Reran-

domization consists of drawing multiple treatment assignments, and choosing one that maximizes the balance between treatment and control groups on some covariates. For example, a medical researcher may want to ensure that treatment and control groups are similar in terms of gender, age, race, and baseline health variables such as blood pressure and weight. Despite the practical ease of using rerandomization to ensure balance, researchers have voiced the concern that it may affect the reliability of findings (Bruhn and McKenzie, 2009).

We show that the trade-offs at the heart of rerandomization are well captured in our framework. Successive rerandomizations improve balance, as captured by the subjective expected utility component of preferences. However, rerandomization reduces robustness, as captured by the adversarial component of preferences. In the extreme case where the allocation is rerandomized until perfect balance is achieved, the allocation is effectively deterministic and the adversarial term remains bounded away from first best.

Importantly, our framework also lets us assess the costs of rerandomization. We show that to affect the robustness of decision making in a significant way, the number of rerandomizations must be exponential in the sample size. This lets us propose a rule of thumb for rerandomization that markedly improves balance, while keeping losses in robustness small.

The paper is structured as follows. Section 2 introduces our framework. Section 3 delineates the forces that determine whether running a randomized or deterministic experiment is optimal. Section 4 studies the trade-offs involved in rerandomization. Numerical evaluations of the efficiency of various experimental designs are presented in Section 5. Section 6 concludes. Proofs are contained in Appendix A unless mentioned otherwise.

2 A Framework for Optimal Experiment Design

Decisions and payoffs. A decision-maker chooses whether or not to implement a policy that provides a treatment $\tau \in \{0, 1\}$ to a unit mass of individuals. Potential outcomes for a subject with treatment status $\tau \in \{0, 1\}$ are random variables $Y^\tau \in \{0, 1\}$; $Y = 1$ is referred

to as a success. Each individual is associated with covariates $x \in X \subset \mathbb{R}^m$, where X is finite. Covariates $x \in X$ are observable and affect the distribution of outcomes Y. The distribution $q \in \Delta(X)$ of covariates in the population is known and has full support. Outcomes Y are i.i.d. conditional on covariates. The probability of success given covariate x is denoted by $p_x^\tau \equiv \text{prob}(Y^\tau = 1|x)$.[1]

The state of the world is described by the finite-dimensional vector p of success probabilities conditional on covariates, $p = (p_x^0, p_x^1)_{x \in X} \in [0,1]^{2X} \equiv P$. Note that state-space P is compact, convex, and finite-dimensional. Given a state p and a policy decision $a \in \{0,1\}$, the decision-maker's payoff $u(p,a)$ is

$$u(p,a) \equiv \mathbb{E}_p Y^a = \sum_{x \in X} q(x) p_x^a.$$

Experiments and strategies. To maximize her odds of making the correct policy choice, the decision-maker can run an experiment on N participants. For simplicity, we assume that N is even, and exogenously given. Formally, an experiment is a tuple $e = (x_i, \tau_i)_{i \in \{1,\dots,N\}} \in (X \times \{0,1\})^N \equiv E$. Experiment e generates outcome data $y = (y_i)_{i \in \{1,\dots,N\}} \in \{0,1\}^N \equiv \mathcal{Y}$, with y_is independent realizations of $Y_i^{\tau_i}$ given (x_i, τ_i).

The decision-maker's strategy consists of both an experimental design $\mathcal{E} \in \Delta(E)$, which is a mixed strategy over experimental assignments, and an allocation rule $\alpha : E \times \mathcal{Y} \to \Delta(\{0,1\})$, which maps experimental data (e,y) to policy decisions $a \in \{0,1\}$.[2] We denote by $\mathcal{A}$ the set of such mappings. A standard RCT, assigning a share $\pi \in (0,1)$ of participants to treatment $\tau = 1$, corresponds to a strategy $(\mathcal{E}_{\text{RCT}}, \alpha_{\text{RCT}})$:

- $\mathcal{E}_{\text{RCT}}$ samples N exchangeable participants labelled by $i \in \{1, \cdots, N\}$, with covariates $(x_i)_{i \in \{1,\cdots,N\}}$ drawn according to q;

[1] Our framework encompasses unobservable differences z, as well. Then $p_x^\tau = \int p_{x,z}^\tau dF(z|x)$. As they do not impact the analysis, we omit them in what follows.

[2] Targeting treatment to particular sub-populations is possible as well: if the targeting is not too fine—for example, by gender, race, or economic class—then the analysis within each sub-population would be the same as the analysis here. For more on targeting by covariates see Kitagawa and Tetenov (2015), and references therein.

- $\mathcal{E}_{\text{RCT}}$ assigns treatment $\tau_i = \mathbf{1}_{i \leq \pi N}$;
- $\alpha_{\text{RCT}}(e, y) \equiv \mathbf{1}_{\widehat{y}^1 \geq \widehat{y}^0}$, where $\widehat{y}^\tau \equiv \sum_{i=1}^N y_i \mathbf{1}_{\tau_i = \tau} \big/ \sum_{i=1}^N \mathbf{1}_{\tau_i = \tau}$.

Preferences. The decision-maker is ambiguity averse with standard maxmin preferences (Gilboa and Schmeidler, 1989). She chooses a strategy $(\mathcal{E}, \alpha)$ that solves

$$\max_{\substack{\alpha \in \mathcal{A} \\ \mathcal{E} \in \Delta(E)}} U(\mathcal{E}, \alpha), \quad \text{where} \quad U(\mathcal{E}, \alpha) \equiv \min_{h \in H'} \mathbb{E}_{h, \mathcal{E}}[u(p, \alpha(e, y))] \tag{1}$$

and H' is a convex set of priors $h \in \Delta(P)$ over states $p \in P$. This can be thought of as a zero-sum game in which nature picks distribution $h \in H'$ after the decision-maker picks a strategy $(\mathcal{E}, \alpha)$. Randomizations in mixed strategies are independent of moves by nature.

We use the usual statistical distance $d(h, h') \equiv \sup_{\substack{A \subset P \\ A \text{ meas.}}} |h(A) - h'(A)|$ on distributions whenever making genericity statements. Almost-sure statements are made with respect to the Lebesgue measure on P.

Equivalent experiments. Successes are indepedent conditional on covariates, experiments that differ only by a permutation of participants with identical covariates are equivalent from a decision-making perspective. It is useful to formalize this point in the context of maxmin preferences.

Definition (equivalent experiments)**.** *Two experiments $e = (x_i, \tau_i)_{i \in \{1, \ldots, N\}}$ and $e' = (x'_i, \tau'_i)_{i \in \{1, \ldots, N\}}$ are* equivalent*, denoted by $e \sim e'$, if there exists a permutation $\sigma : \{1, \ldots, N\} \to \{1, \ldots, N\}$ of the participants' labels such that $(x_i, \tau_i) = (x'_{\sigma(i)}, \tau'_{\sigma(i)})$ for all i. The equivalence class of an experiment e is denoted by $[e]$.*[3] *We denote by $[E]$ the partition of possible experiments in equivalence classes. We say that two experimental designs $\mathcal{E}$ and $\mathcal{E}'$ are equivalent, denoted by $\mathcal{E} \sim \mathcal{E}'$, if they induce the same distribution over $[E]$*

Lemma 1. *Whenever $\mathcal{E} \sim \mathcal{E}'$, $\max_{\alpha \in \mathcal{A}} U(\mathcal{E}, \alpha) = \max_{\alpha \in \mathcal{A}} U(\mathcal{E}', \alpha)$.*

[3]It is convenient to include distributions $\mathcal{E}$ with support in $[e]$ in the equivalence class of e.

Thus, equivalent experiments guarantee the decision-maker the same utility.

2.1 Key assumptions

We place two additional assumptions on the model of Section 2. The first is innocuous, and allows the decision-maker's objective to be expressed as a weighted average of a Bayesian subjective expected utility term and a maxmin expected utility term.

The second is more substantial: it ensures that the set of possible priors entertained by the decision-maker is rich enough that for any given experimental assignment, there exists a prior under which this assignment does not permit efficient decision-making. Note that the order of quantifiers is important: given a realized experimental assignment, we can find such a prior h. Indeed, we show in Proposition 3 that randomized experiments yield efficient decisions with high probability for all priors.

2.1.1 Decomposition of Maxmin Preferences

The following assumption leads to a useful decomposition of the decision-maker's preferences.

Assumption 1 (absolute continuity)**.** *There exist h_0 and $\lambda \in (0,1)$ such that for every prior $h \in H'$ and almost every state $p \in P$,*

$$h(p) \geq \lambda h_0(p). \tag{2}$$

Absolute continuity requirement (2) implies that every prior $\widehat{h} \in H'$ can be written as $\widehat{h} = \lambda h_0 + (1-\lambda)h$, where $h \in H \equiv \frac{1}{1-\lambda}(H' - \lambda h_0)$. Condition (2) also implies that elements $h \in H$ are themselves probability distributions over states $p \in P$, and set H is compact and convex.

Altogether, this implies that the decision-maker's objective (1) can be rewritten as

$$U(\mathcal{E}, \alpha) \equiv \lambda \mathbb{E}_{h_0,\mathcal{E}}[u(p, \alpha(e,y))] + (1-\lambda) \min_{h \in H} \mathbb{E}_{h,\mathcal{E}}[u(p, \alpha(e,y))]. \tag{3}$$

Keeping h_0 and H fixed, parameter λ provides a convenient and continuous measure of the decision-maker's degree of ambiguity aversion. For $\lambda = 1$ this nests standard subjective expected utility maximization. We sometimes refer to the case of $\lambda = 1$ as Bayesian.

This yields a useful interpretation: The decision-maker wants to make a decision that is successful under her own subjective prior h_0, but also satisfies an audience of stakeholders with heterogenous priors $h \in H$. Weights λ and $1 - \lambda$ represent the respective weights that the decision-maker places on her own subjective utility and that of her audience.[4]

2.1.2 Limited Extrapolation

Throughout we assume that $N \leq 2|X|$ so that, even though there are finitely many covariate profiles $x \in X$, assigning each of them to treatment and control is not feasible. This condition is assumed to hold even as we take N to be large.[5]

This allows us to impose the following *limited extrapolation* condition on X, N, and H. Denote by $p^a \equiv \sum_{x \in X} q(x) p_x^a$ the expected probability of success given policy $a \in \{0, 1\}$. Given an experiment $e = (\tau_i, x_i)_{i \in \{1, \cdots, N\}}$, denote by $\overline{p}_e \equiv (p_{x_i}^{\tau_i})_{i \in \{1, \cdots, N\}}$ the subset of success rates for participants in the experiment. Vector $\overline{p}_e$ is an upper bound to the information generated by experiment e.

Assumption 2 (limited extrapolation)**.** *There exists $\xi > 0$ such that, for all $e \in E$, there exists a prior $h \in \arg\min_{h \in H} \mathbb{E}_h(\max_{a \in \{0,1\}} p^a)$ such that, for almost every $\overline{p}_e$,*

$$\min \left\{ \mathbb{E}_h \left[\max_{a \in \{0,1\}} p^a - p^0 \middle| \overline{p}_e \right], \mathbb{E}_h \left[\max_{a \in \{0,1\}} p^a - p^1 \middle| \overline{p}_e \right] \right\} > \xi.$$

Limited extrapolation implies that for any realized experimental assignment there exists a prior $h \in H$ under which that assignment does not allow for first-best decision-making. That

[4] If audience members have veto power and enjoy a common outside option, then the weight ratio $\frac{1-\lambda}{\lambda}$ is the Lagrange multiplier placed on the audience's individual rationality constraint.

[5] A natural case is that in which $N = |X|$ and $q(x) = \frac{1}{|X|}$: individuals are unique, and there are as many configurations of characteristics as potential subjects.

is, conditional on the data generated by any experiment, their exists a prior under which the residual uncertainty about which policy maximizes population-level outcomes remains bounded away from 0.[6]

3 Optimal Design and Randomization

We now characterize optimal experimental design.

3.1 Bayesian Experimentation

When $\lambda = 1$, the decision-maker is a standard subjective expected utility maximizer. In this case, it is well known that deterministic experiments are weakly optimal. We restate this result and show that for generically every prior (that is, for an open and dense set of priors under statistical distance d), deterministic experiments are strictly optimal when λ is close to one.

Proposition 2 (near-Bayesians do not randomize)**.** *If $\lambda = 1$, then for every prior h_0, there exists a deterministic experiment e^* solving* (3)*.*

For generically every prior h_0, there exist $\underline{\lambda} \in (0,1)$ and a unique equivalence class of experiments $[e^*]$ such that for all $\lambda > \underline{\lambda}$, a (potentially mixed) experiment $\mathcal{E} \in \Delta(E)$ solves (3) *if and only if* $\operatorname{supp} \mathcal{E} \subset [e^*]$*.*

Proof. The proof that deterministic experiments are always weakly optimal for a Bayesian decision-maker is instructive. The decision-maker's payoff from running experiment $\mathcal{E}$ can be written as

$$\max_{\alpha \in \mathcal{A}} \mathbb{E}_{h_0, \mathcal{E}} \left[u(p, \alpha(e, y)) \right] = \sum_{e \in E} \mathcal{E}(e) v(h_0, e).$$

[6] We could do away with this assumption if we considered a decision-maker solving for minmax regrets rather than minmax expected utility.

where $v(h,e) \equiv \sum_{y\in\mathcal{Y}} \max_{a\in\{0,1\}} \mathbb{E}_{p\sim h}\left[\text{prob}(y|p,e)u(p,a)\right]$. Therefore, any deterministic experiment e^* solving $\max_{e\in E} v(h_0,e)$ is optimal. More strongly, $\mathcal{E}$ solves (3) if and only if $\text{supp}\,\mathcal{E} \subset \underset{e\in E}{\text{argmax}}\, v(h_0,e)$.

The proof that deterministic experiments are generically strictly optimal is provided in Appendix A. □

In recent work, Kasy (2013) uses a version of Proposition 2 when $\lambda = 1$ to argue that RCTs are suboptimal. We believe that rather than invalidating the use of RCTs, Proposition 2 highlights the limits of subjective expected utility maximization as a suitable positive model of experimenters. We argue instead that the adversarial framework of (3) is more successful at explaining the range of information acquisition strategies observed in practice.

3.2 Adversarial Experimentation

We now assume that the decision-maker puts a fixed positive weight on satisfying her audience, and study comparative statics as the sample size becomes large.

Proposition 3. *Take weight $\lambda \in (0,1)$ as given. There exists $\underline{N}$ such that for all $N \geq \underline{N}$, any optimal experiment is randomized. More precisely, the following hold:*

(i) For any N, any optimal experiment $\mathcal{E}^*$ satisfies

$$\max_{\alpha} \min_{h\in H} \mathbb{E}_{h,\mathcal{E}^*}\left[u(p,\alpha(e,y))\right] \geq \min_{h\in H} \mathbb{E}_h\left(\max_{a\in\{0,1\}} u(p,a)\right) - \sqrt{\frac{\ln 2}{N}}. \qquad (4)$$

(ii) For any N, all deterministic experiments $e \in E$ are bounded away from first-best:

$$\forall e \in E, \quad \max_{\alpha\in\mathcal{A}} \min_{h\in H} \mathbb{E}_{h,e}\left[u(p,\alpha(e,y))\right] < \min_{h\in H} \mathbb{E}_h\left(\max_{a\in\{0,1\}} u(p,a)\right) - \xi. \qquad (5)$$

The first part of the proposition shows that the efficiency loss of the optimal experiment

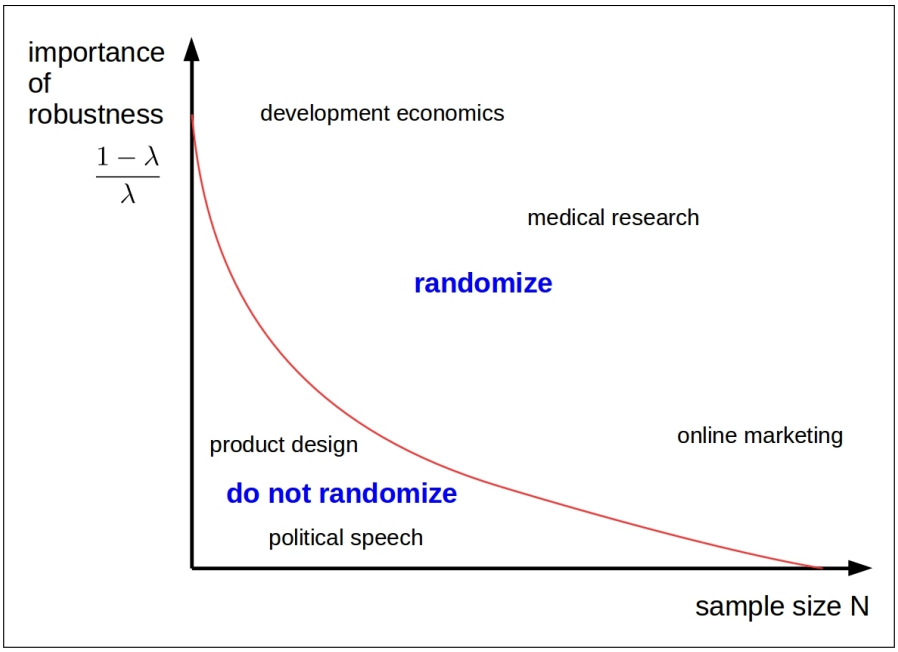


Figure 1: trading off subjective decision-making value and adversarial, prior-free, inference.

compared to the first-best decision is bounded above by $1/\sqrt{N}$. The second part shows that the loss from a deterministic experiment is bounded below by ξ, where ξ is bounded away from zero, and independent of N. Thus, as N grows, the optimal experiment cannot be deterministic: it must be randomized.[7] Indeed after the decision-maker picks an experiment and a decision rule, nature (or the audience) picks the prior which maximizes the chance of picking the wrong policy, given that experimental design and policy rule. If there is a known pattern in the decision-maker's assignment of treatment, nature can exploit this pattern very effectively to lower the decision-maker's payoff. Randomization eliminates patterns that nature can exploit.

Figure 1 maps out implications of Propositions 2 and 3 for practical experiment design. Proposition 2 shows that when sample points are scarce, or when the decision-maker does not put much weight on satisfying anyone else (λ close to 1), optimal experimentation will be

[7]This point is related to Saito (2015) who emphasizes that ambiguity averse agents may have preferences for randomization even if they exhibit risk-aversion over known lotteries.

deterministic, driven by prior h_0. That is, the experimenter will focus on assigning treatment and control observations to the participants from whom she expects to learn the most. This is the case, for example, when a firm is implementing a costly new process in a handful of production sites: The firm will focus on a few teams where it can learn the most. Similarly, a politician trying out platforms will do so at a few carefully chosen venues in front of carefully chosen audiences.

However, when the decision-maker must satisfy a sufficiently adversarial audience, or has a sufficiently large sample, she will randomize. The former is the case in scientific research. The latter is the case for firms doing A/B testing online: Although the firm only needs to convince itself of the effectiveness of a particular ad or UI design, observations are so plentiful that randomization is used to effictively address internal concerns over robustness.

Proposition 3, clarifies some features of experimental practice. First, it implies that a decision-maker who randomizes even without understanding all its ramifications—why she is randomizing, what audience the experiment is meant to satisfy—will nevertheless produce an almost-optimal experiment for large values of N. Even if someone (or her own doubts) produces a particularly challenging prior, the decision rule is still likely to be close to optimal. Further, this proposition highlights the importance of actually randomizing. An experimenter that adopts a protocol that is only "nearly" random, such as assignment based on time of day of an experimental session (see Green and Tusicisny, 2012, for a critique), or the first letter of an experimental subject's name (as was the case in the deworming study of Miguel and Kremer, 2004; see Deaton, 2010 for a critique), can always find a skeptical prior in its audience. Randomization provides a defense against the most skeptical priors, but near-randomization offers no such protection.

It is important to note that once the experiment is realized, there will exist a prior under which this experiment is no longer informative. Proposition 3 shows that randomized experiments let parties with different priors agree on a process. However this agreement is only possible at the ex ante. The tension between ex ante agreement on a process, and ex

post disagreement once an experimental design is realized corresponds to the well-known fact that non-expected utility preferences are not dynamically consistent (Machina, 1989).

4 Rerandomization

Proposition 3 establishes that randomization is essential to guarantee successful prior-free performance. Since deterministic experiments are subjectively optimal, this must come at the the experimenter's subjective goals, whatever form they take. One such prominent goal is balance, i.e. differences between the mean of covariates across treatment and control samples.[8]

A common tool to improve balance and other subjective performance criteria is the practice of rerandomization—redrawing an assignment until an acceptable subjective performance is achieved. However, concerns about the effects of rerandomization on the robustness of inference from RCTs lead many scholars to not report the fact that they have rerandomized (Bruhn and McKenzie, 2009). When possible scholars often use stratification or matching to achieve balance. Unfortunately this is often impossible to implement when stratifying on multiple continuous covariates. As a result rerandomization remains a useful practical tool. Our framework lets us assess the loss in robustness due to rerandomization, and suggests a rule of thumb for experimental practice.

4.1 Balance and Rerandomization

Balance. The objective of the decision-maker, as described by (3), can be rewritten as

$$\max_{\mathcal{E}\in\Delta(E)} \lambda \mathbb{E}_{\mathcal{E}}[B(e)] + (1-\lambda)R(\mathcal{E}). \tag{6}$$

[8]In practice, unbalanced samples can lead to re-evaluation and criticism of a study's findings Banerjee et al. (forthcoming); Gerber and Green (2000); Imai (2005).

Given some assignment rule $\alpha(e, y)$, term $B(e) = \mathbb{E}_{h_0}[u(p, \alpha(e, y))]$ measures the informational value of the experimental assignment from the perspective of a Bayesian decision-maker with prior h_0.[9] Importantly, it depends on the realized experimental sample. Term $R(\mathcal{E}) \equiv \min_{h \in H} \mathbb{E}_h[u(p, \alpha(e, y))]$ captures robustness objectives.

In practice, decision-makers frequently express preferences for balanced samples, i.e., treatment and control samples with matching distributions of characteristics. This suggests that decision-makers frequently start from symmetric Laplacian priors. Formally, it corresponds to an objective of the form

$$B(e) = \Gamma\left(\left|\left|\sum_{i|\tau_i=1} x^i - \sum_{i|\tau_i=0} x^i\right|\right|\right) \tag{7}$$

for some appropriate norm $||\cdot||$ in $\mathbb{R}^m$, and Γ a strictly decreasing function.[10]

In the analysis that follows, we allow for any bounded balance function $B(e)$. Importantly, this function can come from any source: an experimenter's pre-analysis plan, an implementation partner... In fact, the objective function $B(e)$ may be chosen knowing the charcteristics $(x_i)_{i \in \{1,\cdots,N\}}$ of participants.

Rerandomization. Given an integer K, the $K-$rerandomized experiment $\mathcal{E}_K$ proceeds as follows:

1. For a fixed sample of xs drawn according to population distribution $q \in \Delta(X)$, independently draw a set of K assignments $\{e_1, \cdots, e_K\}$ with each $e_k = (x_i, \tau_{i,k})$ such that a fraction $\pi \in (0, 1)$ of participants receives treatment $\tau = 1$;

2. Select the assignment $e_K^* \in \text{argmax}_{e \in \{e_1,\cdots,e_K\}} B(e)$ that maximizes balance function $B(e)$, breaking ties randomly;

[9] A natural assignment rule is $\alpha(e, y) \equiv \text{argmax}_{a \in \{0,1\}} \overline{y}^a - \overline{y}^{1-a}$.

[10] Relevant norms include the Mahalanobis distance commonly used in multivariate matching (Rubin, 1980; Cochrane and Rubin, 1973; Rubin, 1979).

3. Run the experiment e^*_K.

Rerandomization rules may also use a stopping time to endogenously pick the number of randomizations (Morgan and Rubin, 2012).[11] Provided the stopping time has an upper bound K, all our results apply for this bound.[12]

Note that it follows from standard arguments based on exchangeability that the asymptotic standard error of the Wald estimator is unchanged provided the balance function B is symmetric.

4.2 A Tradeoff

It is immediate that $B(e^*_K)$ first-order stochastically dominates $B(e^*_{K-1})$. By definition, rerandomization must mechanically improve balance. The question, therefore, is whether rerandomization can adversely affect robustness. We show that it can. For simplicity we consider the focal case where $N = |X|$ and the selection of characteristics $(x_i)_{i\in\{1,\cdots,N\}}$ is fixed, matching the population distribution.

Proposition 4. *Consider rerandomized experiment $\mathcal{E}_K$. There exists $\underline{\rho} > 0$ such that for every N, if $K \geq \left(\frac{1}{\kappa}\right)^N$, where $\kappa = \min\{\pi, 1-\pi\}$, then*

$$\max_{\alpha} \min_{h\in H} \mathbb{E}_{h,\mathcal{E}_K}\left[u(p,\alpha(e,y))\right] < \min_{h\in H} \mathbb{E}_h\left(\max_{a\in\{0,1\}} u(p,a)\right) - \underline{\rho}\xi.$$

Intuitively, when K is sufficiently large, the allocation is essentially deterministic, which by Proposition 3 precludes first-best robustness.[13]

[11] One criticism levelled against rerandomization is that it could be more effectively replaced by imposing ex ante constraints on acceptable assignments, and randomizing within those constraints. This is in principle a valid point, but doing so requires understanding how the geometry of constraints affects robustness. This is far from obvious. Some constraints may be equivalent to picking a single experiment, causing significant losses in robustness.

[12] Our analysis also extends to resampling procedures for which both the set of participants and the treatment assignment are redrawn at each step. Interestingly the loss or robustness from resampling may exceed the loss of robustness from rerandomization. Indeed, further randomizations increase the range of experimental designs that may be picked by a misguided balance function.

[13] However, it doesn't affect inference for a Bayesian, as $h_0(p \,|\, e, y, e \sim \delta_e) = h_0(p \,|\, e, y, e \sim \mathcal{E}_{\text{RCT}}) =$

Quantifying the cost of rerandomization. The number of rerandomizations K needed to cause fixed losses in robustness is exponential in the sample size. This suggests that the cost of rerandomization may be quite small for reasonable numbers of assignment draws. This is the case.

Proposition 5. *Given $K \geq 2$, consider a rerandomized experiment $\mathcal{E}_K$ assigning treatment to a proportion $\pi \in (0,1)$ of participants. Then,*

$$\min_{h \in H} \mathbb{E}_{h,\mathcal{E}_K}\left[u(p, \alpha(e,y))\right] \geq \min_{h \in H} \mathbb{E}_h\left(\max_{a \in \{0,1\}} u(p,a)\right) - \sqrt{\frac{\ln K}{\kappa N}},$$

where $\kappa = \min\{\pi, 1-\pi\}$.

Comparing this with Proposition 3, the additional loss from rerandomization, $\sqrt{\ln K}$, is relatively small: between 1.5 and 3 for sample sizes between 10 and 10,000. Subjective balance is also established very quickly: K rerandomizations guarantee that the final sample will be within the group of 5% most balanced samples with probability $1 - 0.95^K$, and the improvement in balance falls off relatively quickly. Observing that $1 - 0.95^{100} > 0.99$, we suggest the following rule of thumb for rerandomization:

Rule of Thumb. *Set $K = \min\{N, 100\}$.*

The approach to rerandomization studied in (Morgan and Rubin, 2012) insists on pre-specifying the balance function ahead of drawing assignments. However it may be difficult to hierarchize balance priorities ahead of looking at data. In this respect, it is reassuring that Proposition 5 holds even if the objective balance function B is determined ex post, after potential assignments are drawn.

This observation leads to an intriguing potential application. Since the choice of an assignment among K can be performed ex post according to any criterion, it can be delegated

$h_0(p \,|\, e, y, e \sim \mathcal{E}_K)$, where $e \sim \delta_e$ denotes that e is drawn deterministically, and $e \sim \mathcal{E}_K$ denotes e is drawn according to the K rerandomized experiment $\mathcal{E}_K$.

to other parties without affecting the bound on losses given in Proposition 5. This may provide experimenters with a useful degree of freedom when bargaining with implementation partners. Choice among K options may provide implementation partners the sense of control and legitimacy that standard randomization precludes.[14]

5 Simulations

We provide two numerical exploration of our results. We begin by considering a well-behaved case in which treatment effects are continuous with respect to a small number of underlying characteristics, so that there is limited tension between balance and robustness. We then turn to a much more discontinuous setting designed to oppose the desire to balance and robust policy making. The message from both simulations is clear: rerandomization increases balance with very little to no increase in mistaken decisions.

5.1 Smooth Priors

We consider the following environment. Covariates x are drawn i.i.d. according to $\prod_{k=1}^{5} U[0,1]$, a five-dimensional uniform distribution. These are mapped to outcomes according to a five-dimensional unknown parameter μ:

$$\text{prob}(Y_i = 1|x) = \frac{\exp(\mu \cdot x)}{1 + \exp(\mu \cdot x)}.$$

Parameter μ is drawn according to a five-dimensional truncated normal: $\mu \sim \prod_{k=1}^{5} \mathcal{N}(0,1)_{|[-2,2]}$. We denote by τ^* and α the Bayes optimal assignment of treatmentm and policy choice under this model.

We report balance — captured by the negative of the L_2 norm between mean charac-

[14]Satisfying implementation partners lead Miguel and Kremer (2004) to assign treatment alphabetically, leading to the criticism of Deaton (2010). Drawing K samples, and leaving the implementation partner to choose between them may have been a practical alternative.

teristics across treatment and control — as well as several efficiency losses of interest (see Figure 2):

- *Bayes Loss given Bayes Optimal Assignment*

$$\mathbb{E}_{\mu,x,\tau^*}(\max_{a\in\{0,1\}} u(p,a) - u(p,\alpha)); \tag{8}$$

- *Loss under worst prior given Bayes optimal assignment*

$$\max_{\mu} \mathbb{E}_{x,\tau^*}(\max_{a\in\{0,1\}} u(p,a) - u(p,\alpha)); \tag{9}$$

- Loss under worst prior, and worst assignment τ

$$\max_{\mu} \mathbb{E}_{x} \max_{\tau} \mathbb{E}(\max_{a\in\{0,1\}} u(p,a) - u(p,\alpha)). \tag{10}$$

The ex-ante Bayes expected loss (8), which is essentially identical under randomization and rerandomization. Loss measure (9) chooses the prior that maximizes the error rate given the experimental strategy $\mathcal{E}$ of the experimenter. While this is substantially higher than the Bayes expected loss — as expected — it is not substantially different between randomization and rerandomization. Finally, loss measure (10) stacks the deck against the experimenter, and assumes that the experimenter has an "evil RA" who chooses the experimental assignment τ from e_K that maximizes the expected loss. This has no application in the case of randomization, but in the case of rerandomization it substantially increases error rates. However, it is important to note even under this highly unrealistic scenario—the evil RA must know the data-generating process—the error rate is about one-tenth of 1% for $N \geq 300$.

In the simulations above, we vary K, the number of rerandomizations according to our rule of thumb, $K = \min\{N, 100\}$. This suggests that the simulation may be masking some decision-making cost of rerandomization by increasing N simultaneously. Figure 3 shows this is not the case by plotting worst-prior loss and balance with K, holding N fixed at 100. Balance improves substantially, especially for the first 20 rerandomizations, but the error

Figure 2: Rerandomization substantially increase balance with no cost to robustness.

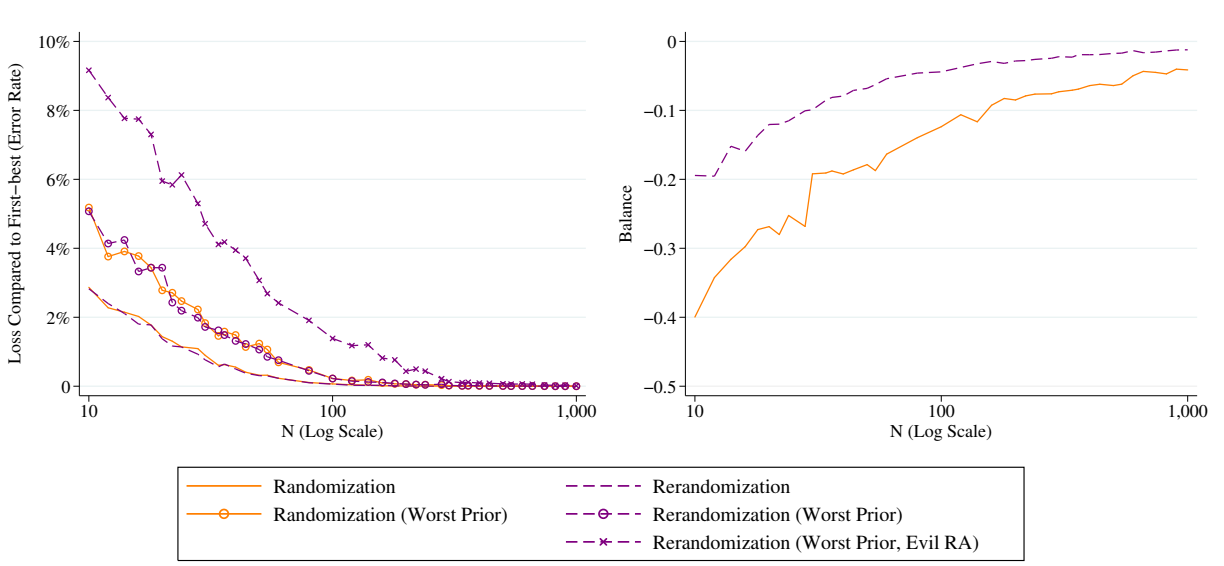
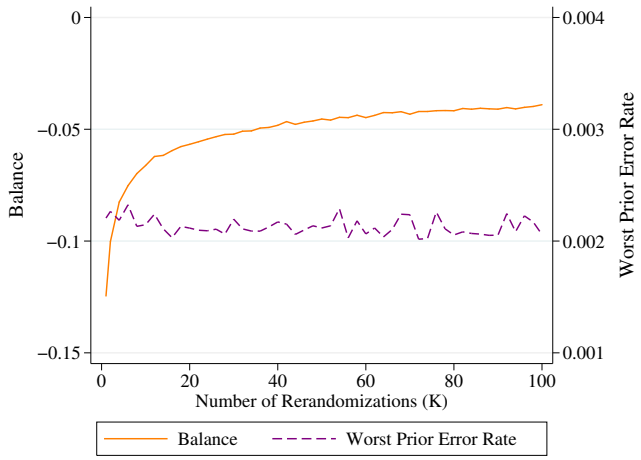


Figure 3: Rerandomizaton increases balance with no robustness cost with fixed N.



rate is essentially flat.

5.2 The Case of Non-Smooth Priors

We now consider a environment designed to create a tension between balance and robustness. Also, we pick assignment τ using balance objective $B(e) = -||\widehat{x}^1 - \widehat{x}^0||_2$. Policy is chosen according to $\alpha(e, y) \equiv \text{argmax}_{a \in \{0,1\}} \overline{y}^a - \overline{y}^{1-a}$.

The environment invloves a single covariate $x \in X = \{1, 2, \ldots, 10{,}000\}$. Even covariates are twice as likely as odd covariates, and the treatment effect is small and negative for even covariates, and large and positive for odd covariates. Specifically, for $n \in \{1, 2, \ldots, 5{,}000\}$,

$$q(2n-1) = \frac{q(2n)}{2} = \frac{2}{3|X|}, \quad p^1_{2n-1} = 4p^0_{2n-1} = \frac{4}{5}, \quad \text{and} \quad p^1_{2n} = \frac{p^0_{2n}}{2} = \frac{1}{4},$$

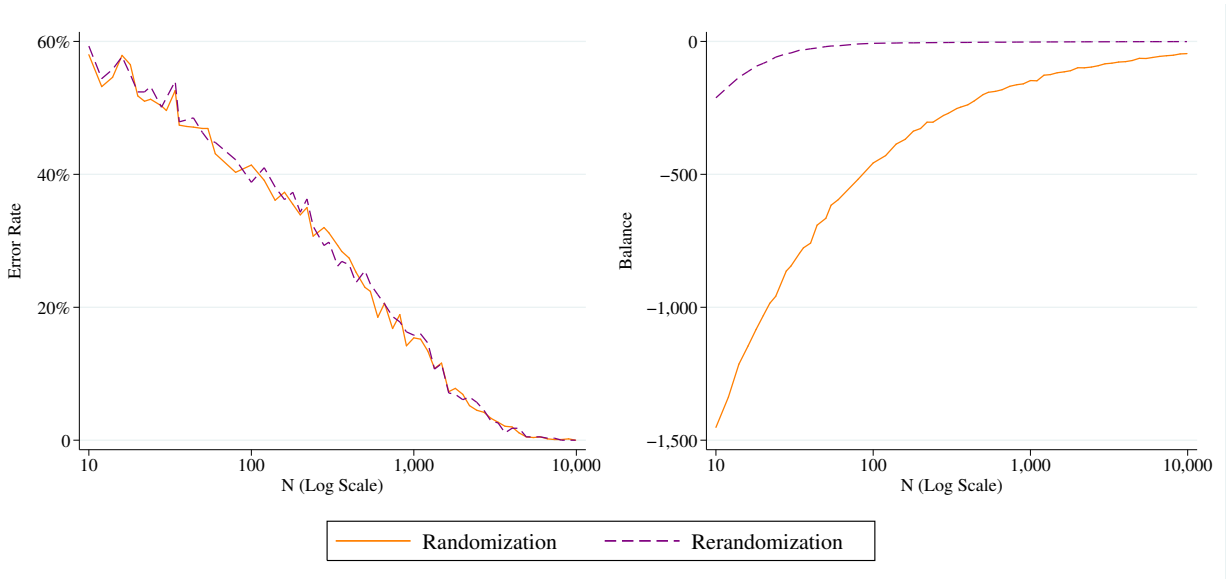
Thus, on aggregate, $u(p, 1) = \frac{13}{30} > \frac{2}{5} = u(p, 0)$, so treatment is beneficial, and $\alpha = 1$ is the "correct" decision. This setup is meant to make attempts to balance the sample likely to cause inferential mistakes—balancing will tend to pair odd observations with the more numerous even observations, which are not an appropriate comparison group.[15]

Figure 4 examines the error rates and balance according to (7), using the l_1 norm, of randomization and rerandomization. As can be seen in the first panel, all three give roughly the same error rate. This is because the chosen balance function, $B(e)$, in these simulations is very unlikely to select a more biased sample allocation. While in any specific application the interaction of the model parameters and the balance function may produce different results, it appears quite difficult to find a balance function that 1) might actually be used and 2) is particularly pernicious.

On the other hand, once again, rerandomization substantially improves the balance of the samples. This is particularly true for small and moderate sample sizes, up to the order of 1,000, although even with 10,000 participants there is an improvement in balance, even though we only re-draw the experimental allocation 100 times.

[15]Indeed, using pairwise matching to assign treatment and control status increases inferential errors, but does so equally for randomization and rerandomization

Figure 4: Rerandomization substantially increase balance with no cost to robustness.



6 Conclusion

We show that the observed variety in experimentation behavior is well captured by a model of experimentation by an ambiguity averse decision maker who trades-off subjective performance and robustness. We illustrate the practical value of such a framework by clarifying the trade offs involved in rerandomization. We establish two main sets of results.

First, randomization is always optimal for sufficiently large sample sizes, since it lead to approximately efficient policy decisions in a prior-free way. Inversely, deterministic experiments maximizing the value of individual data points are optimal when the sample size is low, and when concerns of robustness are limited.

Second, rerandomization creates a trade-off between balance and robustness: it improves balance, but can cause significant losses in robustness when the sample size grows very large. Still, we are able to show that losses in robustness grow very slowly with the number K of assignments drawn during rerandomization. This lets us propose a simple rule of thumb for rerandomization in practice. In addition, it suggests that rerandomization may be a way

to find compromises between the experimenter's value for robust decision making, and the wishes of implementation partners.

In Banerjee et al. (forthcoming) we make an informal use of this framework to discuss other aspects of experimental design, including registration, pre-analysis plans, and external validity .

Appendix

A Proofs

Proof of Lemma 1: By the Minimax Theorem (Luenberger, 1969), the decision-maker's indirect utility from running experiment $\mathcal{E}$, can be written as

$$\begin{aligned} V(\mathcal{E}) &\equiv \max_{\alpha \in \mathcal{A}} U(\mathcal{E}, \alpha) = \max_{\alpha \in \mathcal{A}} \min_{h \in H'} \mathbb{E}_{h,\mathcal{E}}[u(p, \alpha(e, y))] \\ &= \min_{h \in H'} \max_{\alpha \in \mathcal{A}} \mathbb{E}_{h,\mathcal{E}}[u(p, \alpha(e, y))] \end{aligned}$$

Given h, the decision-maker's payoff from running experiment $\mathcal{E}$ can be written as

$$\begin{aligned} \max_{\alpha \in \mathcal{A}} \mathbb{E}_{h,\mathcal{E}}\left[u(p, \alpha(e, y))\right] &= \max_{\alpha \in \mathcal{A}} \sum_{e \in E} \mathcal{E}(e) \mathbb{E}_{p \sim h} \left[\sum_{y \in \mathcal{Y}} \text{prob}(y|p, e) u(p, \alpha(e, y)) \right] \\ &= \sum_{e \in E} \mathcal{E}(e) \sum_{y \in \mathcal{Y}} \max_{a \in \{0,1\}} \mathbb{E}_{p \sim h} \left[\text{prob}(y|p, e) u(p, a)\right] \\ &= \sum_{e \in E} \mathcal{E}(e) v(h, e), \end{aligned}$$

where $v(h, e) \equiv \sum_{y \in \mathcal{Y}} \max_{a \in \{0,1\}} \mathbb{E}_{p \sim h} \left[\text{prob}(y|p, e) u(p, a)\right]$. Since $v(h, e) = v(h, e') \equiv v(h, [e])$ for all $e' \in [e]$, it follows that $V(\mathcal{E}) = \min_{h \in H'} \sum_{[e] \in [E]} \mathcal{E}([e]) v(h, [e])$. Thus, if $\mathcal{E}$ and $\mathcal{E}'$ induce the same distribution over $[E]$, $V(\mathcal{E}) = V(\mathcal{E}')$. ■

Proof of Proposition 2: We beign by showing that $\text{argmax}_{[e]\in[E]}\, v(h_0,[e])$ is generically a singleton for $\lambda = 1$. We first show that the set of priors h_0 such that there is a uniquely optimal equivalence class of experiments is open. Suppose that $[e_0]$ is uniquely optimal under h_0. Since E is finite, there exists $\eta > 0$ such that $v(h_0,[e]) < v(h_0,[e_0]) - \eta$ for all $[e] \neq [e_0]$. Since $v(h,e)$ is continuous in h, this implies that there exists a neighborhood H_0 of h_0 such that, for all $h \in H_0$, $v(h,[e]) < v(h,[e_0]) - \eta/2$. Hence, $[e_0]$ is the uniquely optimal design for all priors $h \in H_0$.

We now prove that the set of priors h_0 such that there is a uniquely optimal equivalence class of experiments is dense. The proof is by induction on the number of equivalence classes $[e_0]$ in $\text{argmax}_{[e]\in[E]}\, v(h_0,[e])$. We show that if there exist n such equivalence classes, then in any neighborhood of h_0 there exists a prior h such that there are at most $n-1$ equivalence classes in $\text{argmax}_{[e]\in[E]}\, v(h,[e])$.

Indeed, assume that $[e_0] \neq [e_1]$ both belong to $\text{argmax}_{[e]\in[E]}\, v(h_0,[e])$. For $\theta > 0$, consider the polynomial $M_\theta(p)$ in $p \in P$ defined by

$$M_\theta(p) = v\left((1-\theta)h_0 + \theta p, [e_0]\right) - v\left((1-\theta)h_0 + \theta p, [e_1]\right),$$

where $(1-\theta)h_0 + \theta p$ denotes the mixture probability measure that places mass $1-\theta$ on h, and mass θ on the Dirac mass at p. Since $[E]$ is finite, for all $\theta > 0$ small enough, it must be that

$$\underset{[e]\in[E]}{\text{argmax}}\, v((1-\theta)h_0 + \theta p, [e]) \subset \underset{[e]\in[E]}{\text{argmax}}\, v(h_0,[e]).$$

Consider such a $\theta > 0$. The fact that $[e_0] \neq [e_1]$ implies that $M_\theta(p)$ is not identically equal to 0. Hence, there exists p such that $v\left((1-\theta)h_0 + \theta p, [e_0]\right) \neq v\left((1-\theta)h_0 + \theta p, [e_1]\right)$. This implies that the inductive step holds at prior $\tilde{h} = (1-\theta)h_0 + \theta p$. Using the fact that $[E]$ is finite and $v(h,[e])$ is continuous in h, this implies that the inductive step holds at a prior that admits a density against the Lebesgue measure. Thus, when $\lambda = 1$, deterministic experiments are generically strictly optimal.

We now consider the case of $\lambda < 1$. Given any λ, h, and $[e]$, since the decision-maker's utility only takes values in $[0,1]$, letting $\alpha_0 \in \text{argmax}_{\alpha \in \mathcal{A}} \mathbb{E}_{h_0,e}[u(p, \alpha(e,y))]$ we have

$$\begin{aligned} v(\lambda h_0 + (1-\lambda)h, [e]) &\leq \lambda v(h_0,[e]) + (1-\lambda)v(h,[e]) \leq v(h_0,[e]) + (1-\lambda) \quad \text{and} \\ v(\lambda h_0 + (1-\lambda)h, [e]) &\geq \lambda v(h_0,[e]) + (1-\lambda)\mathbb{E}_{h,e}[u(p,\alpha_0(e,y))] \geq v(h_0,[e]) - (1-\lambda). \end{aligned}$$

As there are finitely many experiments, if $[e_0]$ is the unique maximizer of $v(h_0,[e])$, there exists $\eta > 0$ such that, for all $[e] \neq [e_0]$, $v(h_0,[e_0]) > v(h_0,[e]) + \eta$. Together, this implies that there exists $\underline{\lambda} \in (0,1)$ such that, for all $\lambda > \underline{\lambda}$, objective (3) is maximized at $\mathcal{E}$ if and only if supp $\mathcal{E} \subset [e_0]$. ■

Proof of Proposition 3: To establish point (i) we use the strategy $(\mathcal{E}_{\text{RCT}}, \alpha_{\text{RCT}})$ such that

- $\mathcal{E}_{\text{RCT}}$ consists of sampling N participants with covariates independently drawn according to q and assigning treatments $\tau_i = \mathbf{1}_{i \leq N/2}$;
- $\alpha_{\text{RCT}}(e,y) \equiv \mathbf{1}_{\widehat{y}^1 > \widehat{y}^0}$, where $\widehat{y}^\tau$ is the sample average of outcomes among participants with treatment status τ.

Losses $L(p)$ from first best, given state of the world p, are defined as

$$L(p) \equiv \max_{a \in \{0,1\}} p^a - \mathbb{E}_{p,\mathcal{E}_{\text{RCT}}}\left[p^{\mathbf{1}_{\overline{y}^1 - \overline{y}^0 > 0}}\right].$$

By symmetry, it suffices to treat the case where $p_1 - p_0 > 0$. In this case, we have $L(p) = (p_1 - p_0)\text{prob}_{p,\mathcal{E}_{\text{RCT}}}(\overline{y}^1 - \overline{y}^0 \leq 0)$. The probability of choosing the suboptimal policy can be bounded using McDiarmid's inequality.[1] By applying McDiarmid's inequality to $f(y) \equiv$

[1] McDiarmid's (1989) inequality can be stated as follows. Let $X_1, \ldots, X_n$ be independent random variables, with X_k taking values in a set A_k for each k. Suppose that the (measurable) function $f : \times_k A_k \to \mathbb{R}$ satisfies $|f(x) - f(x')| \leq c_k$ whenever x and x' differ only in the kth coordinate. Then, for any $t > 0$, $\text{prob}\left(f(X_1,\ldots,X_n) - \mathbb{E}[f(X_1,\ldots,X_n)] \geq t\right) \leq \exp\left(-2t^2/\sum_k c_k^2\right)$.

$\frac{2}{N}\sum_{i=1}^{N/2} y^0_{i+N/2} - y^1_i$, we obtain

$$\begin{aligned}\text{prob}_{p,\mathcal{E}_{\text{RCT}}}(\overline{y}^1 - \overline{y}^0 \leq 0) &= \text{prob}_{p,\mathcal{E}_{\text{RCT}}}\left(\widehat{y}^0 - \widehat{y}^1 - (p^0 - p^1) \geq (p^1 - p^0)\right) \\ &\leq \exp\left(-(N/2)(p^1 - p^0)^2\right).\end{aligned}$$

For any $a > 0$, $x \mapsto x\exp(-ax^2)$ is log-concave and maximized at $x = (2a)^{-1/2}$. This implies that

$$\max_{a\in\{0,1\}} p^a - \mathbb{E}_{p,\mathcal{E}_{\text{RCT}}}\left[p^{\mathbf{1}_{\overline{y}^1 - \overline{y}^0 > 0}}\right] \leq \sqrt{\frac{\ln 2}{N}}. \tag{11}$$

An analogous argument delivers (11) also for the case where $p^1 - p^0 \leq 0$. Hence, given any $h \in H$,

$$\mathbb{E}_h\left(\max_{a\in\{0,1\}} u(p,a)\right) - \mathbb{E}_{h,\mathcal{E}_{\text{RCT}}}\left[u(p,\alpha_{\text{RCT}}(e,y))\right] \leq \sqrt{\frac{\ln 2}{N}}.$$

To establish point (ii), fix a deterministic experiment $e \in E$. From Assumption 2, there exists $h \in H$ such that for almost every $\overline{p}_e$,

$$\min\left\{\mathbb{E}_h\left[\max_{a\in\{0,1\}} p^a - p^0 \middle| \overline{p}_e\right], \mathbb{E}_h\left[\max_{a\in\{0,1\}} p^a - p^1 \middle| \overline{p}_e\right]\right\} > \xi. \text{ Hence,}$$

$$\begin{aligned}\max_{\alpha} \mathbb{E}_{h,e}\left[u(p,\alpha(e,y))\right] &\leq \mathbb{E}_{h,e}\left[\max_{a\in\{0,1\}} \mathbb{E}_{h,e}\left[u(p,a)|\overline{p}_e\right]\right] \\ &\leq \mathbb{E}_{h,e}\left[\max_{a\in\{0,1\}} u(p,a)\right] - \xi.\end{aligned}$$

■

Proof of Proposition 4: Fix any $e^\dagger \in \text{argmax}_{e\in\text{supp}\,\mathcal{E}_K} B(e)$. Since the assignment of covariates is fixed, the kth rerandomized trial, $k \in \{1,\ldots,K\}$, selects each experiment in its support with probability at least $r \equiv \underline{\pi}^N$, where $\underline{\pi} \equiv \min\{\pi, 1-\pi\} \leq 1/2$. Therefore, the odds of rerandomization picking experiment $e^\dagger$ are at least $\rho \equiv 1 - (1-r)^K$. For $K \geq 2^N$,

$$\rho = 1 - \exp(K\ln(1-r)) \sim 1 - \exp(-Kr) \geq 1 - 1/\exp 1 > 0.$$

Hence, there exists $\underline{\rho} > 0$ such that, for all N, rerandomized experiment $\mathcal{E}_K$ selects deterministic experiment $e^\dagger$ with probability at least $\underline{\rho}$.

The proof of Proposition 3 implies that there exists $h^\dagger \in H$ such that

$$\begin{aligned}
\forall e \in E,\ \max_{\alpha\in\mathcal{A}} \mathbb{E}_{h^\dagger,e}[u(p,\alpha(e,y))] &\leq \min_{h\in H} \mathbb{E}_h\left(\max_{a\in\{0,1\}} u(p,a)\right), \\
\text{and } \max_{\alpha\in\mathcal{A}} \mathbb{E}_{h^\dagger,e^\dagger}[u(p,\alpha(e^\dagger,y))] &\leq \min_{h\in H} \mathbb{E}_h\left(\max_{a\in\{0,1\}} u(p,a)\right) - \xi. \\
\text{Hence, } \max_{\alpha\in\mathcal{A}} \min_{h\in H} \mathbb{E}_{h,\mathcal{E}_K}[u(p,\alpha(e,y))] &\leq \min_{h\in H} \mathbb{E}_h\left(\max_{a\in\{0,1\}} u(p,a)\right) - \underline{\rho}\xi.
\end{aligned}$$

■

Proof of Proposition 5: Denote by $(\overline{y}_{0,k}, \overline{y}_{1,k})$ the sample average of outcomes by treatment group for experiment e_k, and by $(\overline{y}^*_0, \overline{y}^*_1)$ the sample average of outcomes by treatment group for the experimental design e^*_K selected by rerandomized experiment $\mathcal{E}_K$.

Losses $L(p)$ from first best given state of the world p are defined as $L(p) \equiv \max_{a\in\{0,1\}} p^a - \mathbb{E}_{p,\mathcal{E}_K}\left[p^{\mathbf{1}_{\overline{y}^*_1 - \overline{y}^*_0 > 0}}\right]$. By symmetry, it suffices to treat the case where $p^1 - p^0 > 0$. In this case, we have

$$\begin{aligned}
L(p) &= (p^1 - p^0)\text{prob}_{p,\mathcal{E}_K}(\overline{y}^*_1 - \overline{y}^*_0 \leq 0) \\
&\leq (p^1 - p^0)\text{prob}_{p,\mathcal{E}_K}\left(\min_{k\in\{1,\ldots,K\}} \overline{y}_{1,k} - \overline{y}_{0,k} \leq 0\right) \\
&\leq (p^1 - p^0)\min\left\{1, \sum_{k=1}^K \text{prob}_{p,\mathcal{E}_K}(\overline{y}_{1,k} - \overline{y}_{0,k} \leq 0)\right\} \\
&\leq (p^1 - p^0)\min\left\{1, K\exp\left(-2\pi(1-\pi)(p^1-p^0)^2 N\right)\right\} \\
&\leq (p^1 - p^0)\min\left\{1, K\exp\left(-\kappa(p^1-p^0)^2 N\right)\right\},
\end{aligned}$$

where the second-to-last step used McDiarmid's inequality (McDiarmid, 1989), already invoked in the proof of Proposition 3, applied to $f(y) \equiv \overline{y}_{0,k} - \overline{y}_{1,k}$, and the last step follows from $2\pi(1-\pi) \geq \kappa \equiv \min\{\pi, 1-\pi\}$.

We have that $K\exp(-\kappa(p^1-p^0)^2N)\leq 1 \iff p^1-p^0\geq\sqrt{\frac{\ln(K)}{\kappa N}}$, which implies that

$$L(p)\leq\begin{cases} p^1-p^0 & \text{if } \ p^1-p^0<\sqrt{\frac{\ln(K)}{\kappa N}}, \\ K(p^1-p^0)\exp(-\kappa(p^1-p^0)^2N) & \text{if } \ p^1-p^0\geq\sqrt{\frac{\ln(K)}{\kappa N}}. \end{cases} \tag{12}$$

The mapping $x\mapsto x\exp(-\kappa Nx^2)$ is ln-concave and maximized at $x=\sqrt{\frac{1}{2\kappa N}}$. Since $K\geq 2$, we have that $\sqrt{\frac{\ln(K)}{\kappa N}}\geq\sqrt{\frac{1}{2\kappa N}}$, which implies that both terms on the right-hand side of (12) are maximized at $p^1-p^0=\sqrt{\frac{\ln(K)}{\kappa N}}$. This implies that indeed $L(p)\leq\sqrt{\frac{\ln(K)}{\kappa N}}$. Identical reasoning applies in the case where $p^1-p^0<0$. ■

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