

Speculators and Entry in Multi-Object Auctions with Resale

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Abstract:

We theoretically and experimentally analyze multi-object auctions post-auction resale markets when participants who have no use value for the object on sale (speculators) are introduced to the environment. The auction environment is a uniform-price, sealed-bid auction with 2 identical objects on sale, which is always followed by the possibility of a free-form bargaining resale market if the auction allocation is inefficient. The market consists of one regular bidder, endowed with values for each unit, and one to two speculators who have entry choice. Our results indicate that regular bidders accommodate speculators by demand reducing in the auction and subsequently purchasing lost items in the resale market. However, speculators are only able to make positive profits when they successfully coordinate on one active speculator in the market.