

Title:

Fighting Collusion in Auctions

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Abstract:

The danger of collusion presents a serious challenge for auctioneers when they decide on the auction format. In this paper, we compare the collusive properties of two standard auctions, the English auction and the First Price auction, and a lesser-known format, the Amsterdam (Second Price) Auction. In the Amsterdam Auction, the highest losing bidder earns a premium for stirring up the bidding. Theoretically, we analyze the performance of these auction formats when bidders have the possibility to collude. The theoretical comparison depends on the equilibrium selected when bidders collude in the Amsterdam auction. If weak bidders play a passive role, the Amsterdam auction performs like the English auction, and both trigger more collusion than the first-price auction. If weak bidders play aggressively, the Amsterdam auction outperforms both the English and the First-Price auction. We test the predictions in a series of experiments. The experiments show that the Amsterdam auction triggers less collusion than the other auctions.

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