Abstract

Sequential auctions frequently take place to sell multiple units of similar objects. This paper analyzes bidding strategies, price trends, and equilibrium outcomes for a general class of sequential auctions where bidders’ valuations for the auctioned object can be arbitrarily interdependent. Upon establishing a perfect Bayesian equilibrium for a wide class of sequential auctions, we obtain unambiguous predictions regarding the expected price trends: it is necessarily upward drifting if bidders are risk-seeking and their valuations exhibit positive interdependence and downward drifting if bidders are risk-averse and their valuations exhibit negative interdependence. The latter prediction provides a plausible explanation for the “declining price anomaly” that has remained a puzzle to many.

About the Speaker

Dr. Liang Zou, Associate Professor of Finance at the University of Amsterdam, holds a BSc in mathematics from Peking University (1982), an MBA from K.U. Leuven (1986), and a Ph.D. in economics from C.O.R.E., Belgium (1990). His research on ownership structure and efficiency, dynamic incentive mechanisms, and China’s interest rate policy in the nineties has been influential during the economic transition of China. He was ranked the 5th among the top 40 business
economists in the Netherlands and Belgium (Flemish region), and the 3rd among the top 15 financial economists in the Netherlands, according to Maandblad voor Accountancy en Bedrijfseconomie 70, no.12, December 1996. Dr. Zou has also published in areas such as asset pricing, risk management, executive compensation, choice under risk, and his recent work on auctions has seen three publications in the Journal of Economic Theory.

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All are Welcome!