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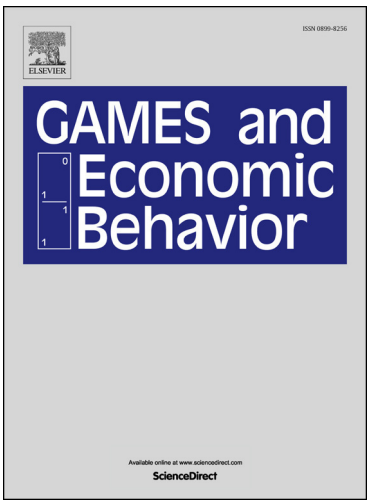

Auctions with Selective Entry

Matthew Gentry, Tong Li, Jingfeng Lu

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Auctions with Selective Entry*

Matthew Gentry†, Tong Li‡, Jingfeng Lu§

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Abstract

We consider auctions with entry based on a general analytical framework we call the Arbitrarily Selective (AS) model. We characterize symmetric equilibrium in a broad class of standard auctions within this framework, in the process extending the classic revenue equivalence results of Myerson (1981), Riley and Samuelson (1981) and Levin and Smith (1994) to environments with endogenous and arbitrarily selective entry. We also explore the relationship between revenue maximization and efficiency, showing that a revenue maximizing seller will typically employ both higher-than-efficient reservation prices and higher-than-efficient entry fees.

1 Introduction

Entry is a quantitatively and qualitatively important aspect of many real-world auction processes, but theoretical analysis of auctions with entry has primarily been limited to a few notable but restrictive special cases. Two paradigmatic examples in the literature are

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†Department of Economics, London School of Economics, Houghton Street, London, United Kingdom, WC2A 2AE. Email: m.l.gentry@lse.ac.uk.

‡Department of Economics, Vanderbilt University and Institute of Economics and Business, Beihang University. VU Station B #351819, Nashville, TN 37235-1819. Email: tong.li@vanderbilt.edu.

§Department of Economics, National University of Singapore, 1 Arts Link, Singapore 117570. Email: ecsljf@nus.edu.sg.

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