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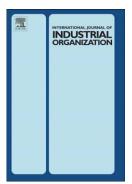
Lowest-Unmatched Price Auctions

PII:

DOI:

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S0167-7187(15)00075-2 doi: 10.1016/j.ijindorg.2015.07.004 Reference: **INDOR 2246**



To appear in: International Journal of Industrial Organization

Received date: 3 February 2014 Revised date: 14 July 2015 15 July 2015 Accepted date:

Please cite this article as: Eichbergera, Jürgen, Vinogradovb, Dmitri, Lowest-Unmatched Price Auctions, International Journal of Industrial Organization (2015), doi: 10.1016/j.ijindorg.2015.07.004

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Lowest-Unmatched Price Auctions

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July 2015

Abstract

Lowest-Unmatched Price Auctions (LUPA) specify that the lowest bid placed by only one participant wins. They are used in internet trading and TV and radio shows. We model LUPAs as games with minimal restrictions, in particular allowing players to place more than one bid, since multiple bids have been observed in most actual LUPAs. Though LUPAs are games for which a closed-form solution does not seem to exist in general, our model generates several testable implications about the type of strategies played in equilibrium and the highest bid in a given LUPA. Our analysis suggests that players follow strategic considerations and arrive at decisions which, at least in the aggregate, are generally consistent with theoretical predictions, yet there are some remarkable deviations.

JEL Classification: C71, D44

Keywords: unmatched bid auction, bidding behavior, overbidding

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