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| Title of Project: | Corruption and Auctions |
| Type of Product (e.g., Book, Paper, Documentary Film, Serial Article): | Paper |
| Précis of 100 Words or Less: | We investigate how corruption affects the outcome of a first-price auction (bidding behavior, efficiency and the seller's expected revenue). The auctioneer approaches the winner to offer the possibility of a reduction in his bid in exchange for a bribe. The bribe can be a percentage of the difference between the winning and the second-highest bid, a fixed amount, or a combination of the two. We show that there exists a symmetric bidding strategy equilibrium that is monotone, i.e., higher valuation buyers bid higher. Corruption does not necessarily affect efficiency but both the auctioneer's expected bribe and the seller's expected revenue depend on the format of the bribe payments. |
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| Available in Hardcopy or Electronically (Y/N): | Available at http://ecocomm.anu.edu.au/people/flavio.menezes |
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