

The Effect of Timing on Jump Bidding in Ascending Auctions

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Abstract

We investigate the role of timing in ascending auctions under the premise that time is a valuable resource. Traditional models of the English auction ignore timing issues by assuming that the auction occurs instantaneously. However, when auctions are slow, as internet auctions used for procurement often are, there are significant opportunity or monitoring costs to bidders, and the choice of the size of the jump bid becomes a strategic decision. We study this choice in the experimental laboratory by systematically varying the opportunity costs associated with fast bidding. We find that when time is more valuable bidders respond by choosing larger jump bids. Surprisingly, the economic performance of the auction is not significantly affected. We develop a simple model of ascending auctions with impatient bidders that provides insights into the effect jump bids have on auction performance.