Auctions have been used to allocate goods for thousands of years, but in the past 25 years there has been a surge in popularity. Auctions are now routinely used to sell spectrum rights, pollution rights, for privatization schemes, to finance the national debt, and to trade goods over the Internet. In this course we will study the standard auction mechanisms. Our goal will be to gain insight into how the rules of the auction influence bidding behavior and hence outcomes both in theory and in practice. This will help you to understand why different auction mechanisms are used in different circumstances. It might also help you to bid more successfully (or at least more wisely) in auctions that you participate in down the road.

Text: There is no text for this course. Rather, the course is based on a series of in-class experiments which produce data that is used to test theoretical predictions of your own behavior. Lecture slides and supplemental lecture notes that explain the theoretical predictions are provided on the course website. You may be surprised to learn that in this course you are not encouraged to read ahead. Ideally, you will participate in each in-class experiment without knowing the theoretical prediction for your behavior. I will advise you throughout the course how far ahead it is safe to read.

Schedule: The class website describes the lesson planned for each lecture. Lecture slides are available for you to print out before class. The first half of the course will deal primarily with private-value auctions. The readings are Chapters 1-5 of the online lecture notes. The second half of the course will deal with common-value auctions and other topics. The reading for common value auctions is Chapter 6 of the online lecture notes. Other readings will be provided when available.

Office Hours: My office hours are Mondays from 2:00 to 3:00 and Wednesdays from 11:00 to 12:00 in 3046 North Hall. My email address is garratt@ucsb.edu.

Grading: The final will each make up 35 percent of your grade. The rest of your grade will be based on class participation (10 percent), three assignments (30 percent) and a group presentation (25 percent).

Group Presentation: Each of you must participate in a group project in which you
(i) identify an interesting real-world auction
(ii) describe its purpose and history
(iii) outline the rules of the auction and specify the game which is induced by the auction mechanism
(iv) analyze the game (possibly find an equilibrium)
(v) discuss the merits of the auction mechanism

Groups will have 4 to 5 members. Everyone in the group will receive the same grade which will be based on your presentation slides, which will be due two weeks before the end of the quarter and an in-class presentation held during the last two weeks of the quarter.