Competing Auctioneers

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ABSTRACT

We consider a market in which 2 profit-maximizing sellers, each with 1 unit of a good, compete by offering mechanisms to potential buyers with private valuations for the good. Each buyer participates in the mechanism which offers him the largest interim expected surplus. We characterize the best response of a seller to choices of mechanisms by the other seller. In contrast to the monopoly seller case Myerson (1981) and the perfect competition case Mcafee (1993), the sellers offer mechanisms which are not efficient conditional on a sale. In particular, we show that one should expect to see both posted prices and auctions in equilibrium.