

Appendix 1. Subject Instructions for Uniform-Price Auction

Welcome to Lister's Auctions. You have the opportunity to bid in an auction for two identical sportscards. There are only two bidders in this auction; the other bidder will be randomly chosen from other participants at today's card show. (If you are a card dealer you will be paired randomly with one other card dealer in your auction. If you are a non-dealer, you will be paired with one other non-dealer.)

The cards up for auction are two copies of the following card: *Card A PSA 8*

Auction Rules:

You are asked to submit two bids — one bid for each card. If you choose to place only one bid, your second bid will be counted as a bid of zero dollars.

Since there are two bidders, there will be a total of four bids submitted. The winning bids will be the highest two from the group of four bids. For each card won, the purchase price is equal to the amount of the third-highest bid (that is, the highest losing bid).

I will order the four bids from highest to lowest in order to determine the winners of the two items.

For example, if the bids are ranked highest to lowest as follows:

\$A
\$B
\$C
\$D

The bidder who bid **\$A** wins one card and pays **\$C**.

The bidder who bid **\$B** wins the second card and pays **\$C**.

Note that one person might have submitted both of the top bids, and thus would buy both cards for **\$C** each.

If a **TIE** occurs between \$B and \$C, I will flip a coin to determine the winner.

Example

Before you submit your actual bids, I would like you to work through an example. Consider a couple of bids that you might submit, and write the numbers here in these two blanks.

my 1st bid _____

my 2nd bid _____

Now make up a couple of bids that the other bidder might submit, and fill those numbers into these blanks.

other bidder's 1st bid _____

other bidder's 2nd bid _____

Take the four bids and order them from highest to lowest:

highest bid: _____ lowest bid: _____

Now, determine how many cards you have won, how many cards the other bidder has won, and the amount each of you has to pay. Fill those numbers in here.

number of cards I won _____ amount I must pay _____

number cards other bidder won _____ amount other bidder must pay _____

To assure that you understand how this auction mechanism operates, I will check your work after you complete this example.

Final Transaction

At 1PM I will determine the winners of each auction completed between 8AM and 12:30PM. For those auctions completed after 1PM I will determine the winners at 5PM. After the winners pay me (cash or check) for the cards, the cards will be awarded to the winners. Note, regardless of price, the cards will be awarded to the winners. In case you cannot attend the “determination of winners” sessions, please provide your name, mailing address, and phone number below:

Name _____

Address _____

Phone# _____

If you are unable to attend at 1PM (or 5PM), I will contact you by phone. Upon receipt of your check or cash, I will send you the cards that you won. All postage will be paid by Lister’s Auctions for cards mailed to winners.

Note that while this is a real auction for real cards, I plan to use data on the bids in this auction for economic research. I guarantee to sell both of the cards listed to the winners of this two-bidder auction, no matter what the final auction prices turn out to be. Your bids represent binding commitments to buy cards you win at the prices specified by the auction outcomes.

Good luck—please write your bids on the sheets provided.

Thanks for participating.

Appendix 2. Subject Instructions for Vickrey Auction

All text is identical to that of Appendix 1, with the exception of the **Auction Rules** shown below:

Auction Rules:

You are asked to submit two bids — one bid for each card. If you choose to place only one bid, your second bid will be counted as a bid of zero dollars.

Since there are two bidders, there will be a total of four bids submitted. The winning bids will be the highest two from the group of four bids. For each card won, the purchase price will be determined as follows.

For the first unit you win, you pay an amount equal to the highest rejected bid which was not your own.

For the second unit you win, you pay an amount equal to the second-highest rejected bid which was not your own.

I will order the four bids from highest to lowest in order to determine the winners of the two items.

Example 1: if the bids are ranked highest to lowest as follows:

\$A (from bidder 1)
\$B (from bidder 2)
\$C (from bidder 2)
\$D (from bidder 1)

Bidder 1 wins one card and pays \$C. Bidder 2 wins the second card and pays \$D.

Example #2. If bids are rank ordered as follows:

\$A (from bidder 1)
\$B (from bidder 1)
\$C (from bidder 2)
\$D (from bidder 2)

Bidder 1 wins one card and pays \$C. Bidder 1 wins the second card and pays \$D.

Example #3. If bids are rank ordered as follows:

\$A (from bidder 1)
\$B (from bidder 2)
\$C (from bidder 1)
\$D (from bidder 2)

Bidder 1 wins one card and pays \$D. Bidder 2 wins the second card and pays \$C.
If a **TIE** occurs between \$B and \$C, I will flip a coin to determine the winner.