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  - Don't know payoffs (incomplete information)

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- In practice, most values are somewhere in the middle

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- My guess is that we just witnessed the **Winner's Curse**:
  - the winning bid exceeds the value of the object (in a common value auction)

The Winner's Curse

Explanation for the winner's curse:

- Most strategies are:

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How can one avoid the winner's curse?

- Bid as if you won (and had the highest error), and decrease your estimate
- If an auction is set up so that you have information about others' valuation of the object, revise your bid

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- Examples: jar of coins, Government contracts

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- Examples: eBay (kind of) because of last-second bidders

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  - Winner pays just a little more than the second highest price
  - Difference: have some information about other bidders' valuation of the object

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Assumptions:

- Bidders are risk neutral
- Bidders estimates of price are independent