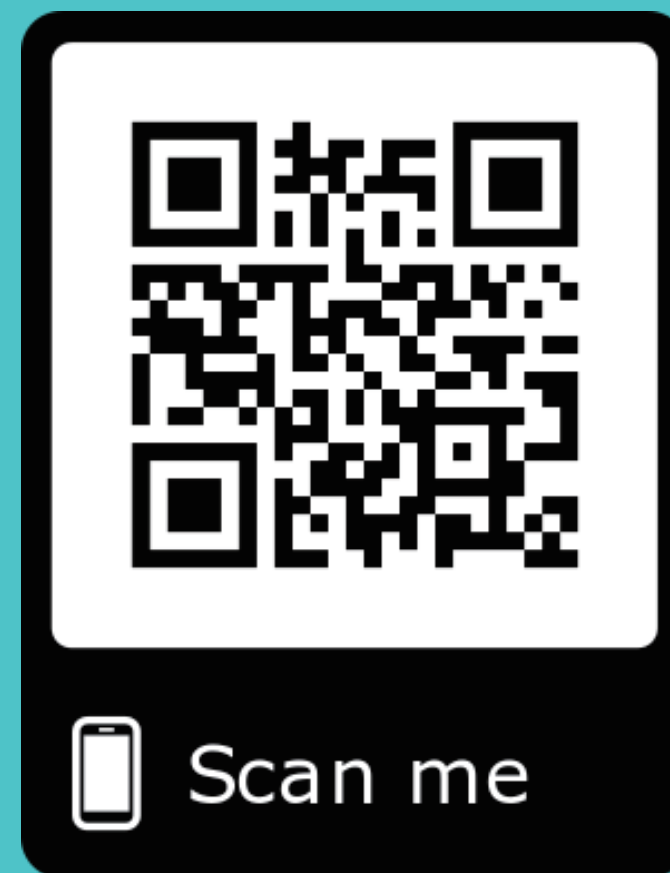


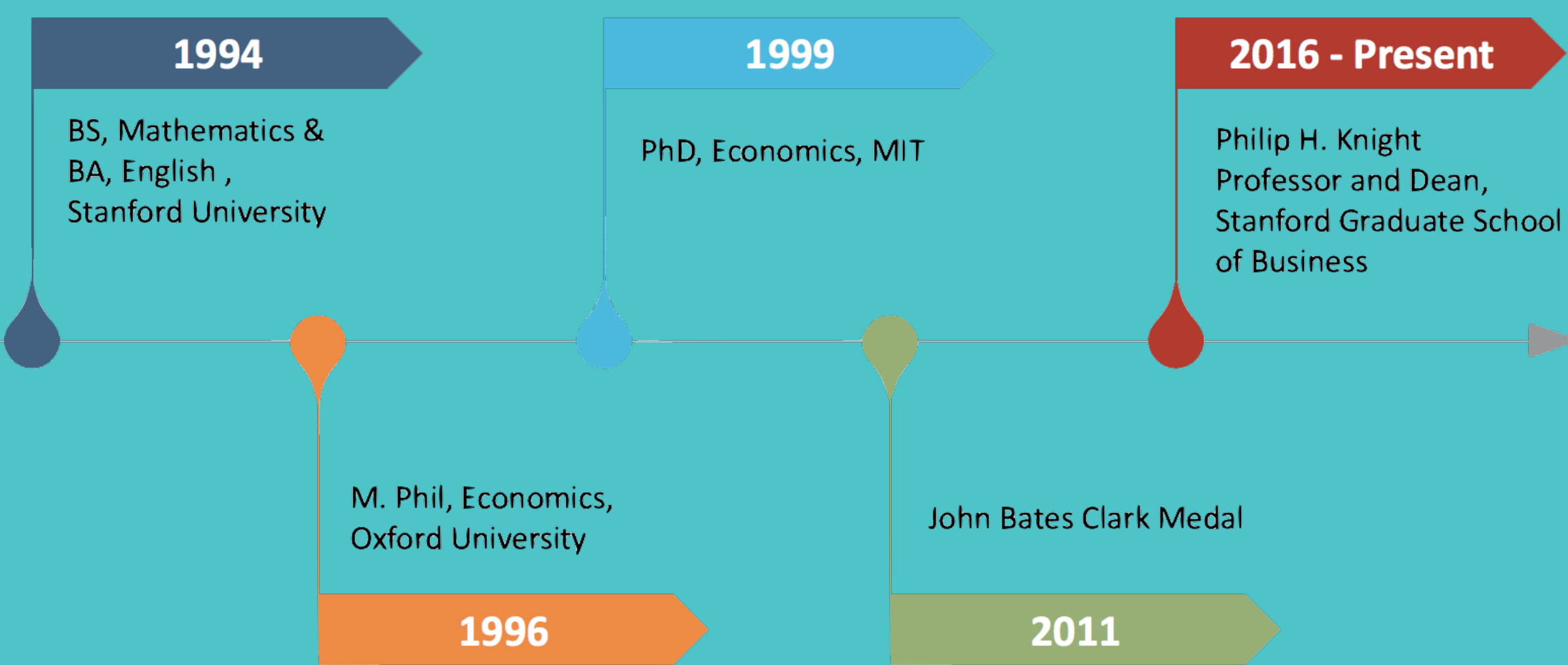


# Jonathan Levin

-on Auction Market and Self-enforcing Contracts

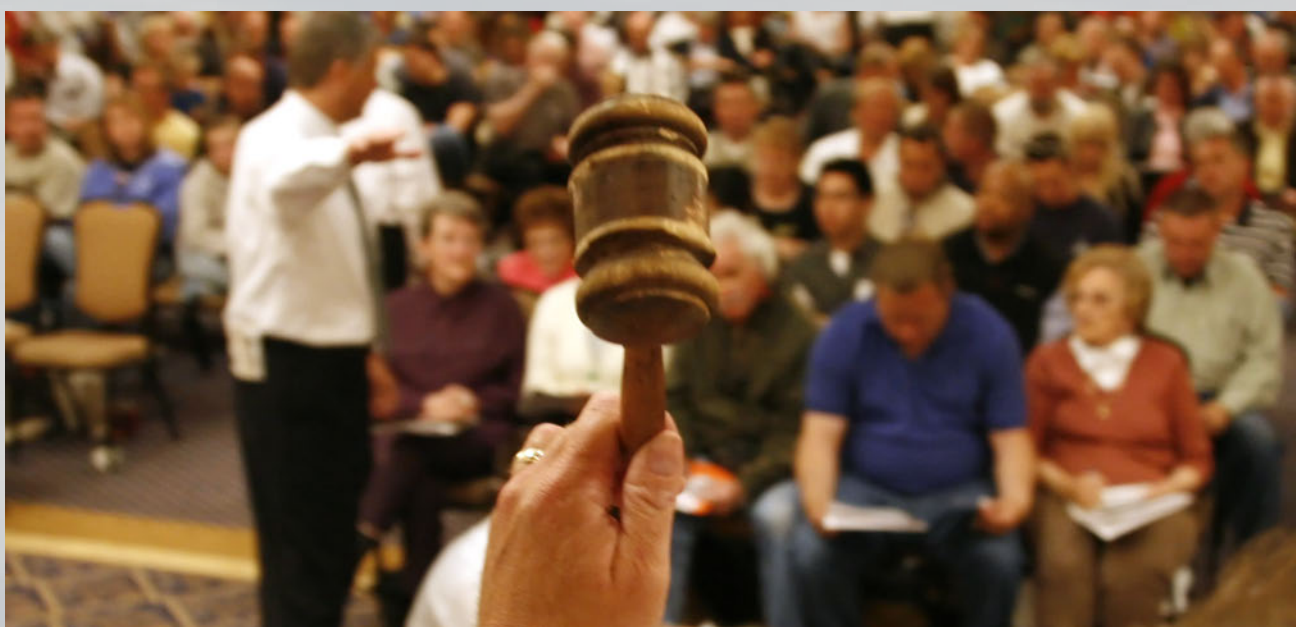


Scan me



## Sealed-bid

bidders place bids 'secretly' and are unaware of what others have bid in the auction



## Open bid

bidding is public, every bidder has full knowledge of the value of all the other bids



## Auction Market

ACTUAL VERSUS PREDICTED SALE PRICES BY MILL PARTICIPATION

		(1)	(2)	(3)
	N	Actual	Predicted (bidding only)	Predicted (bidding + entry)
Zero mills				
Sealed bid sales	181	51.7	51.4	51.4
Open auction sales	321	49.8	50.5	47.1
One mill				
Sealed bid sales	70	66.8	64.6	66.9
Open auction sales	150	50.0	52.2	59.5
Two or more mills				
Sealed bid sales	88	108.1	112.1	112.2
Open auction sales	261	87.5	98.5	98.0

Notes: All numbers are for sales in the Northern region. Column (1) shows average sales prices for sales with zero, one, or two or more participating mills. Columns (2) and (3) show predicted prices for these sales based on the estimated model.

## Application in HK - Land Auctions

Before 2012: Land Application List System (勾地表) (Open Auction)  
Since 2012: Changed to Sealed-bid Auctions

- 🥹 Weakened Market Transparency (Less Information Disclosed)
- 🥹 May Intensify Competition
- 😄 Discourage Reckless Price Following
- 😄 Adequate Time to Make Judgement

# Self-enforcing Contracts

## Game Theory

the study of strategic interaction between two and more economic agents in a setting of limited resources, with the use of logic and mathematics

### THE PRISONER'S DILEMMA

	B stays silent (cooperates)	B betrays A (defects)
A stays silent (cooperates)	Both serve 1 year	A serves 3 years, B goes free
A betrays B (defects)	A goes free, B serves 3 years	Both serve 2 years

## Nash Equilibrium

an optimal state in game theory that no players have incentives to deviate from their current strategy

