

The All-Pay Auction with Handicaps

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Abstract

An all-pay auction in which the winner is determined according to the bids and the handicaps which are endowed to the players is analyzed. The bidding strategies in an equilibrium is explicitly derived as a “piecewise affine transformation” of the equilibrium strategy in the all-pay auction without handicaps. Players’ exit decisions from the auction when the handicaps are have are also discussed.

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