

A Role of Cancellation in Sequential Ascending Auctions for Heterogeneous Quality Items.

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Abstract

We consider a finite-discrete time model with one seller and single-unit demand buyers. The seller sells perishable items by an auction in each period. Items are privately valued but commonly ranked by items' qualities, and Items' qualities differ from period. We show that any standard auction fails to enforce efficient allocations generally if the sequence of items' qualities is increasing in period. We introduce a new auction rule which is plausible modification of standard ascending auction; each buyer has the option to cancel to purchase an item for a well specified cancellation fee. We show this auction rule generally succeeds to enforce an efficient allocation in an equilibrium.

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