

Abstract

This study presents a laboratory experiment of the first and second price sealed bid auctions with independent private values, where the distribution of bidder valuations may be unknown. In our experimental setting, in first price auctions, bids are lower with the presence of ambiguity. This result is consistent with ambiguity loving in a model that allows for different ambiguity attitudes. We also find that the first price auction generates significantly higher revenue than the second price auction with and without ambiguity.

<http://dx.doi.org/10.1016/j.jet.2006.09.012>