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Summary of Online Game 8
Courtesy of Mike Shor, Vanderbilt University

Game 8: An auction demonstrating the winner's curse

This timed game consists of two decisions that you have to make:

You are the Chief Financial Officer for your firm, which is considering making a takeover offer for a small, privately-held Internet startup. The "true" value of the shares of the startup are known with certainty only to its management. You only know that the block of shares is worth an amount within a given range. You are required to recommend to your firm the amount that should be bid for the startup. You are the only bidder and this is your only chance - if your offer is rejected, there is no room for renegotiation. How much do you bid per share? The second decision you have to make has the same setup as the first, with a different range of values.