

Risk Attitudes

What kind of auction would the **auctioneer** prefer?

- **Buyer is not risk neutral:**
 - no change under various risk attitudes for second price
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 - Risk averse, IPV: First \succ [Japanese = English = Second]
 - Risk seeking, IPV: Second \succ First

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 - Risk averse, IPV: First \succ [Japanese = English = Second]
 - Risk seeking, IPV: Second \succ First
- **Auctioneer is not risk neutral:**
 - revenue is fixed in first-price auction (the expected amount of the second-highest bid)
 - revenue varies in second-price auction, with the same expected value
 - thus, a risk-averse seller prefers first-price to second-price.