Abstract
We consider second-price and first-price auctions in the symmetric independent private values framework. We modify the standard model by the assumption that the bidders have reference-based utility, where the reserve price (minimum bid) plays the role of the reference point. In contrast to the usual result, the seller's optimal reserve price is increasing in the number of bidders. Even if an individual bidder perceives only a very small utility loss when he has to pay more than the reserve price, the impact on the optimal reserve price can be strong when there are many bidders.