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**“Equilibrium Bids in Sponsored Search Auctions: Theory and Evidence”**

**Abstract**

This paper presents a game theoretic analysis of the generalized second price auction that the company Overture operated in 2004 to sell sponsored search listings on its search engine. We present results that indicate that this auction has a multiplicity of Nash equilibria. We also show that weak dominance arguments do not in general select a unique Nash equilibrium. We then analyze bid data assuming that advertisers choose Nash equilibrium bids. We offer some preliminary conclusions about advertisers' true willingness to bid for sponsored search listings. We find that advertisers' true willingness to bid is multi-dimensional and decreasing in listing position

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