

## Student Worksheet – 2020 Economic Sciences Prize Research that improves auctions in practice



Selling something to the highest bidder, or buying something for the lowest price, is something people have been doing for thousands of years. Nowadays, auctions distribute astronomical sums of money between buyers and sellers every day. It's not just art and furniture, but stocks and bonds, fishing rights and minerals that are sold at auction. 2020 Economic Sciences Laureates **Paul R. Milgrom** and **Robert B. Wilson** have clarified how auctions work and invented new auction formats.

When we hear the word auction today, perhaps we think of the farm auctions or exclusive fine art auctions we've seen on television. But auctions can just as well be used to sell something on the internet or to buy a home.

Auctions also play an important role for us as taxpayers and citizens. Often the companies that collect waste in our communities have won a contract to provide that service by offering the lowest price in a municipal bidding process. Auctions are even used on the level of the EU to establish the cost of emission allowances in order to mitigate global warming.

So auctions impact all of us in different ways. And this is where this year's Economic Sciences Laureates have made major contributions. They have not just clarified how auctions work and why bidders behave as they do; they have also used their theoretical discoveries to invent entirely new auction formats for the sale of new kinds of goods and services. These new formats have become widespread and are now being used all over the world.

### Vocabulary

**AUCTIONS** A method of selling through bidding.

**EMISSION ALLOWANCES** A regulatory system for reducing greenhouse gas emissions in a cost-effective way.

## What do you think?

What is the most interesting part of the laureates' work?

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Alfred Nobel wanted the Nobel Prizes to be awarded to people who worked for the greatest benefit to humankind. What is the greatest benefit of the laureates' contributions?

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