The Colourful World of Auctions

Example of a Solution

1. The learners will certainly know and find some different examples and formats. It is also important that these are classified and differentiated according to their characteristics.

2. a) Selling person open, oral, prices from bottom to top, one-time, bid binding, etc.

   b) Selling person, open, verbal, prices from top to bottom, one-time, bid binding, etc.

   c) Selling person, written, secret, prices from bottom to top, bid binding; but possibly also non-binding and multiple bids.

   d) Buying person, open, written, secret, prices from bottom to top, bid binding, one-time, etc.

3. Tax office: confiscated, seized and discarded items such as picture frames, gold or medicines; district court: land, houses, condominiums; Federal Armed Forces: cars and trucks - the auctions are held in different formats.

4. Seized objects must be sold at a fair price so as not to harm the debtor if they cannot pay. If there is no official market price (such as the stock exchange price for shares) for the object, a kind of "market" must be established by public announcement and auction to determine a fair price.

5. Major government contracts are now to be awarded by tender across Europe. This is to ensure that all companies in the EU have the opportunity to bid for these contracts. At the same time, the aim is to ensure that the state can obtain the cheapest prices when awarding the contracts.

6. Individual student solutions.
7. There are not many areas of life any more, but in the health sector or in old-age provision, in the education system or in tourism, auctions are not yet common at present.

An example of an economic sector where traditional auctions are not common is the service sector. Services such as counselling, education, health care or tourism are usually not offered through auctions.

8. The "winner's curse" means that the person who bought something at an auction is angry that he or she paid too much for the object. This would be the case, for example, if someone bought a house for 400,000 euros in a secret bidding process, but later learns by chance that the competitors did not bid more than 200,00 euros.

The bidders' fear of bidding too high could be reduced by making the bids of all bidders public, by allowing the bidders to correct their bids in further bidding rounds or by ensuring that the bidder does not have to pay his own price bid but only that of the second or third bidder. It would also be important not to leave the bidder in the dark about the object, but to inform him as precisely and comprehensively as possible.

9. The bidders certainly feel better if the object can be acquired below the estimated price. However, there may also be the case where the individual asking price is far below (low financial means) or far above the estimated or market price (special personal interest, hope for later price increases). In the latter case, one will also think that a "bargain" has been made if a price above the appraised price has to be paid.

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