**ABSTRACT**

Auctions are among the oldest economic institutions in place. They have been used since antiquity to sell a wide variety of goods, and their basic form has remained unchanged. In this dissertation, we explore the efficiency of common auctions when values are interdependent- the value to a particular bidder may depend on information available only to others-and asymmetric. In this setting, it is well known that sealed-bid auctions do not achieve efficient allocations in general since they do not allow the information held by different bidders to be shared.

Typically, in an auction, say of the kind used to sell art, the auctioneer sets a relatively low initial price. This price is then increased until only one bidder is willing to buy the object, and the exact manner in which this is done varies. In my model a bidder who drops out at some price can “reenter” at a higher price.

With the invention of E-commerce technologies over the Internet the opportunity to bid from the comfort of ones own home has seen a change like never seen before. Within the span of a few short years, what may have began as an experimental idea has grown to an immensely popular hobby, and in some cases, a means of livelihood, the online auction gathers tremendous response everyday, all day. With the point and click of the mouse, one may bid on an item they may need or just want, and in moments they find that either they are the top bidder or someone else wants it more, and you’re outbid! The excitement of an auction all from the comfort of home is a completely different experience.

The levels of comfort may rise in the near future but the rules to be followed remain the same. Infact may rise with the new technologies.

Society cannot seem to escape the criminal element in the physical world, and so it is the same with online auctions. This is one area wherein a question can be raised as to how safe online auctions.