Abstract

We investigate the role of competition on the outcome of Austrian Treasury auctions. EU accession by Austria provides a "natural experiment" causing an exogenous increase in the number of bidders in Treasury Auctions. We use structural estimates of bidders' private values to examine the effect of increased competition on auction revenue and compare bidder surplus before and after the auction. We find a significant effect on the surplus earned by bidders as a result of increased competition that is however small when compared to reduced form estimates. We explain this difference by a change in the distribution of valuations. We also show that with increased competition the efficiency concerns and auction format play a smaller role.