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**HOW TO WIN TWICE AT AN AUCTION.  
On the incidence of commissions in auction markets**

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**Abstract**

We analyze the welfare consequences of an increase in the commissions charged by intermediaries in auction markets. We argue that while commissions are similar to taxes imposed on buyers and sellers the question of incidence deserves a new treatment in auction markets. We show that an increase in commissions makes sellers worse off, but buyers may strictly gain. The results are therefore strikingly different from the standard result that *all* consumers weakly lose after a tax or a commission increase. Our results are useful for evaluating compensation in price fixing conspiracies; in particular they suggest that the method used to distribute compensations in the class action against auction houses Christie's and Sotheby's was misguided.

**Keywords:** auction, intermediation, commissions, welfare.

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