This activity, originally designed by the economist Martin Shubik, is technically a
non-zero-sum sequential game. It illustrates how a series of rational choices may
ultimately lead you to make irrational decisions. We use this simplified and speeded-up
version as a jolt to illustrate a variety of interpersonal concepts.

Synopsis

Participants take part in an auction for a single dollar bill and follow an unusual bid-
ding scenario. At the end of the auction, both the highest and second-highest bidders
are declared the winners. Like a traditional auction, the highest bidder receives the prize
(the dollar bill). Unlike other auctions, the second-highest bidder must still pay the bid
amount as well. The surprising lesson (and conundrum for the bidders) is that paying
more for the dollar actually saves money.

Purpose

• To explore factors related to the escalation of interpersonal conflicts

Training Topics

• Critical thinking
• Addiction
• Escalation

Participants

• Two or more
• The best game involves 10 to 30 participants

Time

• 3 to 5 minutes for the auction
• 7 to 15 minutes for debriefing

Jolt 6
Dollar Auction
Supplies

- A dollar bill

Caution

This game has the potential to last longer than is needed to make the desired point. As the “auctioneer” you should watch the time and subtly bring the activity to a close when you feel the purpose has been achieved.

Flow

**Brief the participants.** Hold up a dollar bill and explain that you will auction it off. Ask the participants to listen carefully as you explain the rules. Here are some rule notes that you can use for your explanation:

- *The opening bid is 50 cents and all subsequent bids must be in 10-cent increments*
- *You cannot skip any increment. (For example, after someone bids 60 cents, you can’t jump to 80 cents.)*
- *When the bidding stops, the highest bidder must pay the bid amount to the auctioneer and then will receive the dollar.*
- *The second-highest bidder must also pay his or her bid amount—but the second-highest bidder will receive nothing in return. (For example, if at the end of the auction one participant [Diane] bids 80 cents for the dollar but is beat out by another participant [Jonathan] who has bid 90 cents, then Jonathan pays 90 cents and gets the dollar while Diane pays her 80 cents and gets nothing in return.)*

**Start the auction.** Call for the opening bid of 50 cents. Our experience is that the first few bids clump together immediately after the opening bid. Bids on the dollar generally slow down around 80 cents and only two participants emerge from the competition.

**Encourage continuous bidding.** After someone bids 90 cents, wait for a moment to see whether momentum carries the two bidders forward. If you sense a pause in the bidding, remind the participant who made the 80-cent bid (the second-highest bid amount) that the rules do not prohibit bids of a dollar or more. Usually the bidders figure out that bidding more than a dollar saves money (!). If an explanation is needed, then provide the following financial advice to the second-highest bidder:

- *If you stop now, you lose 80 cents. But if you bid a dollar, you lose nothing. You pay a dollar and get back a dollar.*

**Conclude the auction.** Stop when one bidder gives up. Collect the money from the top two bidders and give the dollar bill to the highest bidder. (Return the money to
Debriefing

This jolt usually leads to a lengthy reflection on various aspects of human behavior. Here are some sample questions that you may use for your debriefing discussion:

- How do you think the highest bidder feels about the activity?
- How do you think the second-highest bidder feels about the activity?
- How do you think the spectators feel about the bidders’ behavior?
- What made some participants begin bidding initially?
- Why did some people not participate in the bidding?
- Here’s a key question: Why did some people bid more than a dollar for a dollar?
- Does this activity remind you of events in your workplace?
- How does the activity reflect escalation of a conflict between two people?
- How does this activity simulate addiction?
- What would have happened if we auctioned $100 with $50 as the starting bid and $10 increments?
- What would have happened if the bidding was among teams instead of individuals?

Learning Points

1. Curiosity often drives people to take risks.
2. Most contests eventually narrow down to two competitors.
3. Competition often drives people to lose perspective. In the case of this jolt, the competitive nature leads participants to:
   a. Bid beyond the true value of a dollar because they don’t want to lose
   b. Not consider forming a coalition to split their losses
4. In most auctions, the auctioneer is the only person who profits.

Variations

Do you want to increase the tension? After the bid reaches $1.50, announce a new rule that permits bidding in any increments as long as it is more than 10 cents.

Do you think that $1 does not mean much in this economy? Conduct a $10 auction with a $5 opening bid and $1 increments.
Field Notes

We have conducted this activity around the world (in India, Switzerland, Japan, Indonesia, the United Kingdom, and Singapore) using local currency. The results are remarkably similar, suggesting some universal principles of human behavior.

In case you are curious, the highest bid we ever elicited with this activity was $67. Part of the reason might have been our intention to contribute all profits to charity.

We have conducted this auction literally thousands of times. While our sampling might be limited, we have not noticed consistent trends related to age, gender, and cultural differences.