

An Early Example of the "Winner's Curse" in an Auction

After murdering the Roman Emperor Pertinax (March 28, A.D.193), the praetorian guards had an empire to dispose of:

Then ensued a most disgraceful business and one unworthy of Rome. For, just as if it had been in some market or auction-room, both the City and its entire empire were auctioned off. The sellers were the ones who had slain their emperor, and the would-be buyers were Sulpicianus and Julianus, who vied to outbid each other, one from the inside, the other from the outside [of the praetorian camp]. They gradually raised their bids up to twenty thousand sesterces per soldier. Some of the soldiers would carry word to Julianus, "Sulpicianus offers so much; how much more do you make it?" And to Sulpicianus in turn, "Julianus promises so much; how much do you raise him?" Sulpicianus would have won the day, being inside and being prefect of the city and also the first to name the figure twenty thousand, had not Julianus raised his bid no longer by a small amount but by five thousand at one time, both shouting it in a loud voice and also indicating the amount with his fingers. So the soldiers, captivated by this excessive bid and at the same time fearing that Sulpicianus might avenge Pertinax (an idea that Julianus put into their heads), received Julianus inside and declared him emperor. [*Dio's Roman History*, book LXXIV]

Auction theorists will note the success of the final "jump" bid in what we would now call an English auction. Assuming Julianus committed to pay all of the more than 10,000 praetorians, the total bid corresponded to well over a billion dollars today. (We approximated the current value by reference to the salaries of elite soldiers. The winning bid corresponded to about five years' wages per praetorian.) We know of many smaller auctions in the early Roman Empire, a loan of seven million of sesterces (when prices were somewhat lower than in 193), and imperial revenues that must have been far larger, but this bid appears enormous even for the fully monetized market economy of the early Empire. Julianus appears to have defaulted on his bid in any case, and the soldiers' resulting anger may have contributed to his short tenure in office.

Two months later, Septimius Severus marched an army to Rome, the praetorians deserted Julianus, and he was murdered after a reign of only 66 days. In Gibbon's words, Julianus was "beheaded as a common criminal, after having purchased, with an immense treasure, an anxious and precarious reign of only sixty-six days." Severus then disbanded the troublesome praetorians.

[*Dio's Roman History*, book LXXIV, translated by Earnest Cary (Cambridge, Mass.: Harvard Univ. Press, 1960; Edward Gibbon, *The Decline and Fall of the Roman Empire* (1776), vol. 1, chap. V.]

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