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Philippine Center for
Economic Development

present a seminar on

“Procurement Auctions with Interdependent Values and Affiliated Signals”

By

Romeo Matthew Balanquit , PhD
Miharu Jay M. Kimwell, PhD Candidate

28 October, Friday

4:00-5:00 p.m. – Room 303

Abstract:

Procurement auctions that assume independent private values (IPV) provide a benchmark for analysis that is readily demonstrated but often unrealistic. Firms who compete for exclusive selling rights normally derive outputs from a highly similar set of inputs which, in turn, allows them to obtain some knowledge on how others would price their goods. In this paper, we incorporate this assumption by showing how affiliated signals and interdependent values can possibly affect the expected quantities sold and selling prices of some endogenous-quantity procurement auction formats. The resulting equilibrium bidding strategies no longer give credence to the typical equivalence result which holds under IPV. In this environment, the second-price auction yields both higher expected prices and lower expected quantities than the first-price auction. This result is consistent with similar studies showing suboptimality of auction mechanisms that allow for winning bids of less-than-the-highest willingness to pay, when values are not fully independent.

About the speakers:

Romy Balanquit is a teacher and researcher at UP School of Economics. His current research interests are on procurement auctions, portfolio theory application, bounded rationality, and single-dipped preferences.



Miharu Jay M. Kimwell is a medical doctor and Ph.D. candidate at the UP School of Economics, where she also obtained her MA in Economics (2016). Her research interests include microeconomic theory, health economics, and complex systems analysis.



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