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Presentation Title

A Small Volume Reduction that Melts Down the Market: Auctions with Endogenous Rationing (with Karl-Martin Ehrhart and Ann-Katrin Hanke)

Abstract

Auctions with endogenous rationing have been introduced to stimulate competition. Such (procurement) auctions reduce the volume put out to tender when competition is low. This paper finds a strong negative effect of endogenous rationing on participation when bid-preparation is costly, counteracting the aim to stimulate competition. For multiple auctioneer's objectives mentioned in directives, we derive optimal mechanisms, which differ due to different evaluation of the tradeoff between participation and bid-preparation costs. Thus, the auctioneer needs to decide on an objective. However, reducing bid-preparation costs improves the optimal values of multiple objective functions.

Keywords

Auctions; participation; market design; optimal mechanism; endogenous rationing; renewable energy

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