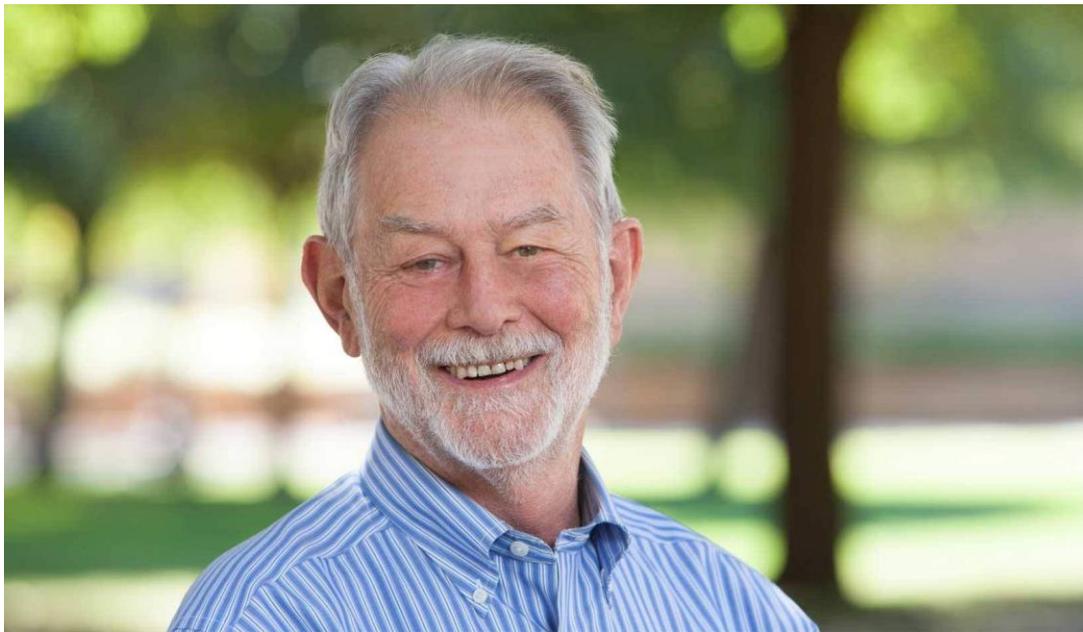


Nobel Laureate Robert Wilson engages with students at Chennai's Great Lakes Institute

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It is important to look at the common value component of public goods on auctions, which are the features that affect everybody's valuation, the Nobel Prize winner said



Nobel Laureate Robert B Wilson has been a member of the faculty at Stanford University for over 50 years and on Wednesday, the professor met students at Chennai's Great Lakes Institute of Management to talk about the work that won him the [Nobel Memorial Prize in Economic Sciences](#) this year. The Institute invited the professor who is also the Adams Distinguished Professor of Management, Emeritus, Graduate School of Business, Stanford University to speak at a finance conference.

The professor won his award for his work on the Auction Theory, "In the early years of the initial spectrum auctions, it was uncertain if the technology would even work and uncertainty about what would be the market penetration. At the time in the US the company we worked with estimated an upper cap of 30 per cent market penetration. Look at the world now; there are more phones than there are households. So, this was a case of extreme estimation error for the sellers, but firms profited enormously over time."

"It is important to look at the common value component of public goods on auctions, which are the features that affect everybody's valuation. When oil companies bid for leases everybody is concerned with a few key attributes like: whether the oil is there, how much, at what price can the oil be sold. All bidders are trying to estimate the same thing, and no matter how unbiased these estimates, will always be subject to error. In fact, these estimates are so imperfect that two

companies can look at the same seismic output and come up with completely different estimates. The one who wins is the one with the highest estimate, even though ex-ante, the estimate appeared unbiased it is revealed after the fact to be biased,” the Nobel Laureate said.

Wilson, while answering the questions of strategies in auctions, explained the ‘use it or lose it’ rule, exposure and problem. With a few real situations, he taught the students, how to tackle a ‘snake in the grass’ kind of bidder. Further to that, he said, “Companies want to bid to win; they want the minimum bid that is sure to win. They are only concerned about the probability of winning, and rarely consider how that interacts with the value of actually having won.”

Rajat Kathuria, Director and Chief Executive of the Indian Council for Research on International Economic Relations was a keynote speaker at the event and explained the current auction trends in India with a few examples. With that, the keynote address was delivered by Dr Kathuria on several aspects and spectrums including the allocation models, value determination, and spectrum scarcity of India. While evaluating the spectrums of India, Dr Kathuria said “Spectrum is a quasi-public good which can provide substantial welfare and social benefits. So ultimately the challenge that the government faces is, how to manage the trade-off between its revenue objectives and social welfare objective.”

<https://www.edexlive.com/news/2020/dec/17/nobel-laureate-robert-wilson-engages-with-students-at-chennai-great-lakes-institute-16682.html>