Rakesh’s Question

• How, if at all, has theoretical work influenced the design of markets? And if it has not influenced design, why not?

• Critics’ views
  • Jean-Jacques Laffont
  • Ariel Rubinstein
How Does Economic Theory Help?

- Modigliani-Miller theorems
  - Advice about dividend policy? About capital structure?
- Coase theorem
  - Advice about make-or-buy decisions?
- First welfare theorem
  - Advice about competition policy?
- Revenue equivalence theorem, Vickrey theorem, Gibbard-Satterthwaite theorem
  - Advice about auction designs?
Theory and Auction Design

- Spectrum auctions: “I can do better than that!”
  - Avoiding mistakes

- UK auction design incorporates
  - Combinatorial clock stage (Porter-Rassenti-Roopnarine-Smith)
  - Core selecting auction (Day-Milgrom)
  - Revealed preference activity rule (Ausubel-Milgrom)
  - Clock-proxy auction design (Ausubel-Cramton-Milgrom)
  - New computation methods (Day-Raghavan)