in a decision context. The curious thing is that it takes the lowest bid (presumably coming from different participants in each auction) as a component in the location of all bids. It is well accepted that the lowest bid is an extreme value statistic from the joint distribution of bids itself. Since the number of bidders heavily influences this extreme value statistic, and is therefore totally random, we must conclude that Skitmore's model, suffers from some degree of misspecification. This remark of course may not be a sufficient reason to condemn the use of it, but I still would recommend looking for models with a better underpinning. The fact that the randomness of the lowest bid prevents direct implementation is of course recognized in the paper.

Conclusions

Empirical work in competitive bidding is severely hampered by the fact that observed data are ill suited to test the models. Market data without background information on costs, uncertainty, and privileged knowledge allows only very crude types of analysis. Also, the development of the decision theoretic models has been hampered by lack of understanding of the difference in perspective between the individual participant and the results obtained in the market. Last, I would like to advocate sound theory to underpin empirical tests.

Every field of scientific enquiry has its relics from the past, which best remain buried. The decision theoretic approach to competitive bidding is certainly no exception,

notable examples being various attempts of modelling the probability of winning based on misconceptions.

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Editor's note

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Professor Skitmore was asked for his comments on the above Viewpoint. However, Professor Skitmore felt it inappropriate to comment at length as he felt that his paper concerned operations research (OR) rather than economics, while the 'viewpoint' above concerned economics rather than OR. In other words, he felt that his paper was concerned solely with testing probability predictions, and the fact that the probabilities involved arose out of a mechanism for resource allocation (auctions) was purely coincidental—they could equally apply in any other form of competitive activity of no concern to economists. He felt that the above discussion, while useful, was inappropriate to *JORS*. The editor has some sympathy with this view and respects Professor Skitmore's stance.

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