

# **Interactive electronic auction and sealed-envelope auction: a comparative analysis of results in Bolivia**

*Walter Orellana Rocha, Bernardo X. Fernández Tellería,  
Vladimir Fernández Quiroga*

## **RESUMEN**

Auction is the fundamental mechanism through which the Central Bank of Bolivia (CBB) executes its open-market operations, the main instrument of its monetary policy. This instrument is also used in the placement of securities for fiscal financing. After many years of using the sealed-envelope auction and discriminant price, in 2005 the CBB implemented an interactive electronic auction, modality that is usually known as “english auction” or “ascending-price auction”.

Auction theory states that a format change entails significant modifications in the strategy of participants, thus, in obtained results. In sum, it would expect that the application of the new modality can allow: a) reduction of the so-called “winner’s curse”, b) increased participation in auctions, c) a decrease in costs of issuer. With the purpose of evaluate and verify these theoretical assumptions, this study makes a comparison of results generated from both auction formats, through a descriptive statistical analysis and the econometric estimation of two reduced equations, which aims to represent the behavior of auction agents.

***JEL Classification:*** D4, D44

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