

# DISSERTATION PROPOSAL

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## **Government Make Versus Buy Decisions: Evidence from the US Dredging Industry**

Tuesday, September 8, 2015  
1:30 pm  
324 GSIA (West Wing)

What determines when a government chooses to contract out a task rather than complete it in-house? My proposed dissertation will examine theoretical models of the government “make-or-buy” decision; I will also investigate this issue empirically by analyzing a construction market in which government has the option to either deploy its own workers and equipment to complete a project or to contract out that project to a private firm via a procurement auction. Using the theory of government regulation of private firms as a framework, I specify a government objective function that considers both social surplus and cost minimization incentives. Additionally, traveling between project locations gives rise to dynamic considerations for the government that generate complementarities between projects. I will estimate the government’s objective function and the distribution of project completion costs using a dynamic discrete choice model of project selection. The efficiency of the current allocation mechanism can be analyzed using the model estimates and other methods of project allocation can be investigated; specifically, mechanisms that feature direct competition between government and private firms or auctions that take into account project complementarities may offer efficiency improvements. This analysis will offer a better understanding of government procurement and can lead to more informed policy recommendations.