

**GESY**

Governance and The Efficiency of Economic Systems

Newsletter

Sonderforschungsbereich Transregio 15 • A cooperation of: FU Berlin • HU Berlin • Universität Bonn • Universität Mannheim • ZEW Mannheim • LMU München

Newsletter No. 7

July 2009

SFB/TR15 Seminars

| Berlin | | |
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| Date | Speaker (Institution) | Title |
| June 15 | Ulrich Kamecke, HU Berlin (HU Berlin) | "Voluntary Cooperation Based on Equilibrium Retribution — An Experiment Testing Finite-Horizon Folk Theorems" |
| July 6 | Matthew Rabin, Berkeley (SFB) | "Rational and Naive Herding" |
| July 6 | Mary Stegmaier, University of Virginia (WZB) | "The Endurance of the Czech Communist Party" |
| July 13 | Carlos Alos-Ferrer, University of Konstanz (SFB) | tba |
| July 13 | Henrik Orzen, University of Nottingham (WZB) | "The appearance of homo rivalis: Social preferences and the nature of rent-seeking" |
| Munich | | |
| Date | Speaker (Institution) | Title |
| July 6 | Nicolas Sauter, University of Munich (University of Munich, Research Seminar) | tba |
| July 6 | Ferdinand Mittermaier, University of Munich (University of Munich, Research Seminar) | tba |
| July 7 | Jonathan Eaton, New York University (University of Munich, Hans Möller Seminar) | tba |
| July 13 | Aljaz Ule, University of Amsterdam (University of Munich, Research Seminar) | tba |
| July 14 | Lucy White, Harvard Business School (University of Munich, Hans Möller Seminar) | tba |
| July 20 | Jonas Scherner, University of Mannheim (University of Munich, Research Seminar) | tba |

Conferences Organized by SFB/TR15-Members

| B3 (Hellwig) | | |
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| Name | Topic | Dates |
| Urs Schweizer, Christoph Engel | "Jurimetrics" (MPI, Kloster Eberbach) | June 11 - 13 |

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| Alexander Stremitzer | Frontiers in the Economic Analysis of Contract Law, Comment on "Shrink Wraps" by Yeon-Koo Che and Albert Choi (University of Bonn, Bonn) | June 4-5 |
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External Research Visits, Lectures and Seminars of SFB/TR 15 Members

| A3 (Moldovanu) | | |
|-----------------------------------|--|--------------|
| Name | Topic | Dates |
| Paul Schweinzer | Talk: "The optimal prize structure of symmetric Tullock contests" (Conference on Economic Design 2009, University of Maastricht, Netherlands) | June 22 - 24 |
| A4 (Rady / Schmidt) | | |
| Name | Topic | Dates |
| Markus Reisinger | Dynamic Duopoly with Inattentive Firms (ESSET in Gerzensee, Switzerland) | July 2 |
| Markus Reisinger | Successive Oligopolies with Differentiated Firms and Endogenous Entry (DIW in Berlin, Germany) | July 16 |
| Joachim Winter | The workings of a private health insurance market: Enrollment decisions, plan choice and adverse selection in Medicare Part D (NBER Summer Institute, Cambridge, MA, USA) | July 20 |
| A5 (Schweizer / von Hagen) | | |
| Name | Topic | Dates |
| Urs Schweizer | Tagung des Theoretischen Ausschusses (Verein für Sozialpolitik), Eltville (talk: "Die Anreizwirkung schuldrechtlicher Bestimmungen") | May 8 - 9 |
| Alexander Stremitzer | American Law and Economics Association Annual Meeting, San Diego, USA (talk: "Opportunistic Termination") | May 15 - 17 |
| Susanne Ohlendorf | Frontiers in the Economic Analysis of Contract Law, University of Bonn (talk: "Discussion of 'On the Optimal Regulation of Unread Contracts' by Alon Harel and Yuval Procaccia") | June 5 |
| Susanne Ohlendorf | ECORE Summer School on market evolution and public decision, Brussels, Belgium (talk: "Signaling an Outside Option") | June 12 |
| Alexander Stremitzer | JITE Conference on Jurimetrics, Kloster Eberbach (talk: "Comment on If You Give Power to Shareholders. Do They Use It? By Yair Litzokin") | June 12 |
| Alexander Stremitzer | Kolloquium Recht und Ökonomie Bonn (talk: "Schadensersatzregime bei beschränktem Vermögen des potentiellen Schädigers") | June 25 |
| A7 (Wolfstetter) | | |
| Name | Topic | Dates |
| Elmar Wolfstetter | University of Groningen, Netherlands (talk: "Licensing an Innovation in Oligopoly when Signaling Strength may Backfire") | June 17 |
| A8 (Heidhues / Rady) | | |

| Name | Topic | Dates |
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| Nicolas Klein | Annual Meeting of the Society for Economic Dynamics, Istanbul, Turkey (talk: "Free-Riding & Delegation in Research Teams -- A Three-Armed Bandit Model") | July 3 |
| Nicolas Klein | International Conference on Game Theory, Stony Brook, NY, USA (talk: "Free-Riding & Delegation in Research Teams -- A Three-Armed Bandit Model") | July 14 |
| Nicolas Klein | Summer School , Bonn (talk: "Free-Riding & Delegation in Research Teams -- A Three-Armed Bandit Model") | July 28 |
| B4 (Kräkel) | | |
| Name | Topic | Dates |
| Petra Nieken | 2nd Maastricht Behavioral and Experimental Economics Symposium -Theory and Experiments, University of Maastricht, Netherlands (talk: "Risk Taking in Winner-Take-All Competition") | June 5 |
| B5 (Marin / Schnitzer) | | |
| Name | Topic | Dates |
| Monika Schnitzer | University of California, Berkeley, USA (talk: "Successive Oligopolies with Differentiated Firms and Endogenous Entry (joint with Markus Reisinger)") | March 10 |
| Monika Schnitzer | University of California, San Diego, USA (talk: "Successive Oligopolies with Differentiated Firms and Endogenous Entry (joint with Markus Reisinger)") | April 6 |
| Monika Schnitzer | University of California, San Diego, USA (talk: "Financial Constraints and the Margins of Foreign Direct Investment (joint with Claudia Buch, Iris Kesternich and Alexander Lippner)") | April 7 |
| Monika Schnitzer | University of Stanford, USA (talk: "Financial Constraints and the Margins of Foreign Direct Investment (joint with Claudia Buch, Iris Kesternich and Alexander Lippner)") | April 13 |
| Monika Schnitzer | University of California, Berkeley, USA (talk: "Financial Constraints and the Margins of Foreign Direct Investment (joint with Claudia Buch, Iris Kesternich and Alexander Lippner)") | April 30 |
| C2 (Harhoff / Stahl) | | |
| Name | Topic | Dates |
| Elisabeth Müller | Closing conference for project , Brussels, Belgium (talk: "How Effective are Different Types of R&D Activity Abroad for Technology Sourcing? — Evidence from German Companies") | June 30 |
| C5 (Kamecke / Röller) | | |
| Name | Topic | Dates |
| Tomaso Duso | 3rd Lear Conference on the Economics of Competition Law, Rome, Italy (talk: "Competition Policy and Productivity Growth: An Empirical Assessment (with Paolo Buccirossi, Lorenzo Ciari, Giancarlo Spagnolo and Cristiana Vitale)") | June 25 - 26 |

New Discussion Papers

| A1 (Bester / Strausz) | | |
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| Name | Title | Number |
| Helmut Bester | <p>Investments and the Holdup Problem in a Matching Market</p> <p><i>Abstract:</i> This paper studies investment incentives in the steady state of a dynamic bilateral matching market. Because of search frictions, both parties in a match are partially locked-in when they bargain over the joint surplus from their sunk investments. The associated holdup problem depends on market conditions and is more important for the long side of the market. In the case of investments in homogenous capital only the agents on the short side acquire ownership of capital. There is always underinvestment on both sides of the market. But when market frictions become negligible, the equilibrium investment levels tend towards the first-best.</p> <p>Keywords: Holdup Problem, Matching Market, Investments</p> <p><i>JEL Classification No.:</i> C78, D23, D92</p> | 263 |
| A7 (Wolfstetter) | | |
| Name | Title | Number |
| Elmar Wolfstetter (joint with Wei Ding (NA)) | <p>Prizes and Lemons: Procurement of Innovation under Imperfect Commitment</p> <p><i>Abstract:</i> The literature on R&D contests implicitly assumes that contestants submit their innovation regardless of its value. This ignores a potential adverse selection problem. The present paper analyzes the procurement of innovations when the procurer cannot commit to never bargain with innovators who bypass the contest. We compare fixed-prize tournaments with and without entry fees, and optimal scoring auctions with and without minimum score requirement. Our main result is that the optimal fixed-prize tournament is more profitable than the optimal auction since preventing bypass is more costly in the optimal auction.</p> <p><i>JEL classification:</i> C70, D44, D89, L12, O32</p> | 262 |

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| Elmar Wolfstetter (joint with Wei Ding (NA), Thomas Jeitschko (NA)) | <p>Signal-Jamming in a Sequential Auction</p> <p><i>Abstract:</i> In a recurring auction early bids may reveal bidders' types, which in turn affects bidding in later auctions. Bidders take this into account and may bid in a way that conceals their private information until the last auction is played. The present paper analyzes the equilibrium of a sequence of first price auctions assuming bidders have stable private values. We show that signal-jamming occurs and explore the dynamics of equilibrium prices.</p> <p><i>JEL classification:</i> D44, D02, D43</p> | 261 |
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B3 (Hellwig)

| Name | Title | Number |
|------------------|---|--------|
| Felix Bierbrauer | <p>On the legitimacy of coercion for the financing of public goods, MPI Preprint 2009/15,</p> <p><i>Abstract:</i> The literature on public goods has shown that efficient outcomes are impossible if participation constraints have to be respected. This paper addresses the question whether they should be imposed. It asks under what conditions efficiency considerations justify that individuals are forced to pay for public goods that they do not value. It is shown that participation constraints are desirable if public goods are provided by a malevolent Leviathan. By contrast, with a Pigouvian planner, efficiency can be achieved. Finally, the paper studies the delegation of public goods provision to a profit-maximizing firm. This also makes participation constraints desirable.</p> <p><i>JEL classification:</i> D02, D82, H41, L51</p> | |

B4 (Kräkel)

| Name | Title | Number |
|------------------------------------|---|---------|
| Matthias Kräkel and Anja Schöttner | <p>Minimum Wages and Excessive Effort Supply</p> <p><i>Abstract:</i> It is well-known that, in static models, minimum wages generate positive worker rents and, consequently, inefficiently low effort. We show that this result does not necessarily extend to a dynamic context. The reason is that, in repeated employment relationships, firms may exploit workers' future rents to induce excessively high effort.</p> <p>Key Words: bonuses; limited liability; minimum wages</p> <p><i>JEL Classification:</i> D82; D86; J33</p> | No. 264 |

Visitors

| A2 (Konrad) | | |
|-----------------------------|---|------------------|
| Name | Topic | Dates |
| Mattias Polborn | University of Illinois (USA) | May 22 - June 21 |
| Dan Kovenock | University of Iowa (USA) | June 1 - 30 |
| Ian Wooton | University of Strathclyde (Scotland) | June 15 - July 3 |
| A3 (Moldovanu) | | |
| Name | Topic | Dates |
| Carola Frydman | MIT Sloan School of Management, Cambridge (USA) | June 11 - 16 |
| A8 (Heidhues / Rady) | | |
| Name | Topic | Dates |
| Asi Cohen | University of Tel Aviv (Israel) | July 6 - 11 |
| Godfrey Keller | University of Oxford (United Kingdom of Great Britain and Northern Ireland) | July 6 - 11 |

Publications

| A4 (Rady / Schmidt) | | |
|--|--|--------------|
| Name | Topic | Dates |
| Daniel Schunk (joint with Joachim Winter (A4)) | "The relationship between risk attitudes and heuristics in search tasks: A laboratory experiment ", Journal of Economic Behavior and Organization, 347-360 | August |
| B4 (Kräkel) | | |
| Anja Schöttner (joint with Veikko Thiele (NA)) | "Promotion Tournaments and Individual Performance Pay", Journal of Economics and Management Strategy | forthcoming |
| Petra Nieken | "On the Choice of Risk and Effort in Tournaments - Experimental Evidence", Journal of Economics & Management Strategy | forthcoming |
| C5 (Kamecke / Röller) | | |
| Joe Clougherty (joint with Tomaso Duso (NA)) | "The Impact of Horizontal Mergers on Rivals: Gains to Being Left Outside", Journal of Management Studies | forthcoming |

Miscellaneous

| C6 (Peitz / Stahl) | | |
|--------------------------------|--|-----------------|
| Name | Topic | Dates |
| Heiko Karle | has been officially coopted as a member of the SFB | June |
| A4 (Rady / Schmidt) | | |
| Name | Topic | Dates |
| Klaus Schmidt and Gregor Zöttl | 10th SFB TR15 conference "Corporate Governance" in Munich. For further information please visit our website: http://www.sfbtr15.de | October 14 - 16 |

SFB/TR 15 Newsletter speaker: Prof. Urs Schweizer. editorial: Corinna Lehmann, 53111 Bonn. URL: <http://www.sfbtr15.de>, phone 0228/73-7931, fax 0228/73-6884, e-mail: c.lehmann@uni-bonn.de, editorial deadline for SFB/TR 15 newsletter No. 8: Monday, July 27th, 2009