



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. 6

June 2011

SFB/TR 15 Seminars

Berlin		
Date	Speaker (Institution)	Title
May 2	Wendelin Schnedler, University of Heidelberg	"Hidden Action, Identification, and Organization Design"
May 23	Daniel Quint, University Wisconsin-Madison	"Anglo-Dutch Premium Auctions in 18th-Century Amsterdam"
May 30	Qiang Fu, National University of Singapore	"Contests with Endogenous and Stochastic Entry (joint with Qian Jiao and Jingfeng Lu)"
Bonn		
Date	Speaker (Institution)	Title
May 11	Ola Kvaløy, University of Stavanger, Norway	"False Crowding Out by Ola Kvaloy and Trond Olsen"
May 12	Philipp Schmidt-Dengler, University of Mannheim	"Government policy and the dynamics of market structure: Evidence from Critical Access Hospitals"
May 17	Olivier Marie, University of Maastricht	"Education and Crime: Individual Measures of the Causal Relationship"
May 19	Parag Pathak, MIT, Cambridge, USA	"School Admissions Reform in Chicago and England: Comparing Mechanisms by their Vulnerability to Manipulation"
June 7	Lewis Kornhauser, NYU	"tba"
Mannheim		
Date	Speaker (Institution)	Title
May 3	Soenje Reiche, University of Cambridge and Toulouse School of Economics	"Bilateral Trade and Renegotiation"
May 10	Rossella Argenziano, University of Essex	"A Numerical Analysis of Strategic Information Acquisition and Transmission"
May 17	Akifumi Ishihara, London School of Economics	"The Interaction of Formal and Implicit Contracts with Adverse Selection"
May 24	Makoto Watanabe, Universidad Carlos III de Madrid	"Hot and Spicy: ups and downs on the price floor and ceiling at Japanese supermarkets"
May 31	Andrew Sweeting, Duke University	"Selective Entry in Auctions"
München		
Date	Speaker (Institution)	Title
June 6	Thomas Tröger, University of Mannheim	"Informed-principal problems in environments with generalized private values"
June 7	Ching-To Albert Ma, University of Boston	"Public Report, Price, and Quality"

June 20	Johannes Abeler, University of Nottingham	"Fungibility, Labels, and Consumption"
June 21	Richard Holden, University of Chicago	"tba"
June 27	Robert Dur, University of Rotterdam	"The power of a bad example: A field experiment in household garbage disposal"
June 28	John van Reenen, LSE	"tba"

External Research Visits, Lectures and Seminars of SFB/TR 15 Members

A2 (Konrad)		
Name	Topic	Dates
Florian Morath	Social mobility and redistributive taxation, Royal Economic Society Conference, London, United Kingdom	April 18 - 20
A5 (Schweizer/von Hagen)		
Name	Topic	Dates
Jun Zhou	The Predictability of Noneconomic Damages in Medical Malpractice Settlements and Litigations: Evidence from Texas since 1988, Columbia Law School , United States of America	May 20 - 21
Jun Zhou	Sham Litigation, IP and Competition Law (joint with Ioannis Lianos), University of Haifa, Israel	May 29 - 30
A8 (Rady)		
Name	Topic	Dates
Piers Trepper	CEPR-JIE School and Conference on Applied IO, Tel Aviv, Israel (talk: "Experimentation and Two-Sided Markets (joint with Martin Peitz and Sven Rady)")	May 24 - 27
B3 (Hellwig)		
Name	Topic	Dates
Jos Jansen	5th CLEEN workshop, EUI, Florence, Italy (talk: "Information Exchange in the Insurance Industry: A Procompetitive or Anticompetitive Device?")	May 9 - 10
Jos Jansen	Too Much Information Sharing? Welfare Effects of Sharing Acquired Cost Information in Oligopoly, University of Bologna, Italy	May 11
Jos Jansen	4th ZEW Conference on Economics of Innovation and Patenting, ZEW, Mannheim (talk: "Share to Scare: Technology Sharing in the Absence of Intellectual Property Rights")	May 19 - 20
B5 (Marin/Schnitzer)		
Name	Topic	Dates
Dalia Marin	Institute for New Economic Thinking (INET), Bretton Woods, USA (talk: "The New New Theory of International Trade: How It Matters for the Global Financial Crisis")	April 9

C5 (Kamecke/Röller)

Name	Topic	Dates
Volker Nocke	Vertical Relations under Credit Constraints , CSEF University of Naples, Italy	June 6
Volker Nocke	Merger Policy with Merger Choice, MaCCI Summer Institute on Competition Policy, Germany	June 13 - 17
Volker Nocke	Vertical Relations under Credit Constraints , Paris School of Economics, France	June 24

New Discussion Papers**C8 (Falk)**

Name	Title	Number
Johannes Abeler, Armin Falk, Lorenz Götte and David Huffman	<p>Reference Points and Effort Provision</p> <p>Abstract:</p> <p>A key open question for theories of reference-dependent preferences is what determines the reference point. One candidate is expectations: what people expect could affect how they feel about what actually occurs. In a real-effort experiment, we manipulate the rational expectations of subjects and check whether this manipulation influences their effort provision. We find that effort provision is significantly different between treatments in the way predicted by models of expectation-based reference-dependent preferences: if expectations are high, subjects work longer and earn more money than if expectations are low.</p> <p>Keywords: Reference Points, Expectations, Loss Aversion, Disappointment, Experiment</p> <p>JEL Classification: C91, D01, D84, J22</p> <p>May 2011</p>	358

<p>Martin Brown, Armin Falk and Ernst Fehr</p>	<p>Competition and Relational Contracts: The Role of Unemployment as a Disciplinary Device</p> <p>Abstract:</p> <p>When workers are faced with the threat of unemployment, their relationship with a particular firm becomes valuable. As a result, a worker may comply with the terms of a relational contract that demands high effort even when performance is not enforceable by a third party. But can relational contracts motivate high effort when workers can easily find alternative jobs? We examine how competition for labor affects the emergence of relational contracts and their effectiveness in overcoming moral hazard in the labor market. We show that effective relational contracts do emerge in a market with excess demand for labor. Long-term relationships turn out to be less frequent when there is excess demand for labor than they are in a market characterized by exogenous unemployment. However, stronger competition for labor does not impair labor market efficiency: higher wages induced by competition lead to higher effort out of concerns for reciprocity.</p> <p>Keywords: Relational Contracts, Involuntary Unemployment</p> <p>JEL Classification: D82, J3, J41, E24, C9</p> <p>May 2011</p>	<p>359</p>
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Thomas Dohmen, Armin Falk	<p>Performance Pay and Multidimensional Sorting - Productivity, Preferences and Gender</p> <p>Abstract:</p> <p>This paper studies the impact of incentives on worker self-selection in a controlled laboratory experiment. Subjects face the choice between a fixed and a variable payment scheme. Depending on the treatment, the variable payment is a piece rate, a tournament or a revenue-sharing scheme. We find that output is higher in the variable pay schemes (piece rate, tournament, and revenue sharing) compared to the fixed payment scheme. This difference is largely driven by productivity sorting. In addition personal attitudes such as willingness to take risks and relative self-assessment as well as gender affect the sorting decision in a systematic way. Moreover, self-reported effort is significantly higher in all variable pay conditions than in the fixed wage condition. Our lab findings are supported by an additional analysis using data from a large and representative sample. In sum, our findings underline the importance of multi-dimensional sorting, i.e., the tendency for different incentive schemes to systematically attract people with different individual characteristics.</p> <p>Keywords: Sorting, Incentives, Piece Rates, Tournament, Revenue-Sharing, Risk Preferences, Social Preferences, Gender, Experiment, Field Evidence</p> <p>JEL Classification: J3, M52, C91, D81, J16</p> <p>May 2011</p>	360
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Armin Falk, David Huffman, W. Bentley Macleod	<p>Institutions and Contract Enforcement</p> <p>Abstract:</p> <p>We provide evidence on how two important types of institutions – dismissal barriers, and bonus pay – affect contract enforcement behavior in a market with incomplete contracts and repeated interactions. Dismissal barriers are shown to have a strong negative impact on worker performance, and market efficiency, by interfering with firms' use of firing threat as an incentive device. Dismissal barriers also distort the dynamics of worker effort levels over time, cause firms to rely more on the spot market for labor, and create a distribution of relationship lengths in the market that is more extreme, with more very short and more very long relationships. The introduction of a bonus pay option dramatically changes the market outcome. Firms are observed to substitute bonus pay for threat of firing as an incentive device, almost entirely offsetting the negative incentive and efficiency effects of dismissal barriers. Nevertheless, contract enforcement behavior remains fundamentally changed, because the option to pay bonuses causes firms to rely less on long-term relationships. Our results show that market outcomes are the result of a complex interplay between contract enforcement policies and the institutions in which they are embedded.</p> <p>Keywords: incomplete contracts, bonus pay, efficiency wages, employment protection, firing costs, experiment</p> <p>JEL Classification: J41, J3, C9, D01</p> <p>May 2011</p>	361
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Dissertations and Habilitations

A7 (Wolfstetter)		
Name	Topic	
Igor Sloev	"Market share discounts, separation and equilibrium structure in successive oligopolies"	May 13

Visitors

A1 (Bester/Strausz)		
Name	Speaker (Institution)	Date
Wendelin Schnedler	University of Heidelberg (Germany)	April 28 – May 6
Qiang Fu	National University of Singapore (Singapore)	May 25 - 31

B3 (Hellwig)		
Name	Speaker (Institution)	Date
Ola Kvaløy	University of Stavanger (Norway)	May 9 - 12

Miscellaneous

C5 (Kamecke/Röller)		
Name	Topic	Date
Volker Nocke	Volker Nocke is Editor of the Journal of Industrial Economics	April 1
C8 (Falk)		
Name	Topic	Date
Sebastian Kranz	Sebastian Kranz returns to project C8 in Bonn after a two semester research visit at Yale	June 1
A4 (Rady/Schmidt)		
Name	Topic	Date
Gregor Zöttl, Klaus Schmidt	The 13th SFB TR 15 conference will be held held in Tutzing. Deadline for registration and paper submission (via email to Gregor Zöttl, sfbtr15@lrz.uni-muenchen.de) is July 31, 2011.	October 12 - 14

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