



GESY

Governance and The Efficiency of Economic Systems

Newsletter

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March 2009

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

A2 (Konrad)		
Name	Topic	Dates
Johannes Münster	Information sharing in contests, University of St. Gallen, Switzerland	February 26
A8 (Heidhues/Rady)		
Nicolas Klein	Southern Methodist University Dallas, USA	March 26 - April 1
Nicolas Klein	Penn State, USA	April 2 - 10
B3 (Hellwig)		
Jos Jansen	On Competition and the Strategic Management of Intellectual Property in Oligopoly, University of Cologne	February 2
C5 (Kamecke/Röller)		
Tomaso Duso	ACLE Conference , Amsterdam, Netherlands (talk: "Competition Policy and Productivity Growth: An Empirical Assessment" (with Paolo Buccirossi, Lorenzo Ciari, Giancarlo Spagnolo, and Cristiana Vitale)	March 5 - 6

New Discussion Papers

A7 (Wolfstetter)		
Name	Title	Number
Thomas Giebe (joint with Ludwig Ensthaler (A7))	<p>"Subsidies, Knapsack Auctions and Dantzig's Greedy Heuristic"</p> <p><i>Abstract:</i> A budget-constrained buyer wants to purchase items from a shortlisted set. Items are differentiated by quality and sellers have private reserve prices for their items. Sellers quote prices strategically, inducing a knapsack game. The buyer's problem is to select a subset of maximal quality. We propose a buying mechanism which can be viewed as a game theoretic extension of Dantzig's greedy heuristic for the classic knapsack problem. We use Monte Carlo simulations to analyse the performance of our mechanism. Finally, we discuss how the mechanism can be applied to award R&D subsidies.</p> <p><i>JEL classification:</i> D21, D43, D44, D45</p>	

B4 (Kräkel)

Name	Title	Number
Oliver Gürtler, Matthias Kräkel (B4)	<p>"Double-Sided Moral Hazard, Efficiency Wages and Litigation"</p> <p><i>Abstract.</i> We consider a double-sided moral hazard problem where each party can renege on the signed contract since there does not exist any verifiable performance signal. It is shown that ex-post litigation can restore incentives of the agent. Moreover, when the litigation can be settled by the parties the pure threat of using the legal system may suffice to make the principal implement first-best effort. As is shown in the paper, this finding is rather robust. In particular, it holds for situations where the agent is protected by limited liability, where the parties have different technologies in the litigation contest, or where the agent is risk averse.</p> <p>JEL classification: D86, J33, K41</p>	

B4 (Kräkel)

Name	Title	Number
Matthias Kräkel, Anja Schöttner (B4)	<p>"Relative Performance Pay, Bonuses, and Job-Promotion Tournaments"</p> <p><i>Abstract.</i> Several empirical studies have challenged tournament theory by pointing out that (1) there is considerable pay variation within hierarchy levels, (2) promotion premiums only in part explain hierarchical wage differences, and (3) external recruitment is even observable on higher hierarchy levels. We explain these empirical puzzles by combining rank-order tournaments with bonus payments in a two-tier hierarchy. Moreover, we show that under certain conditions the firm implements first-best effort on tier 2 although workers earn strictly positive rents. The reason is that the firm can use second-tier rents for creating incentives on tier 1. Furthermore, in case of unobserved worker heterogeneity, the firm strictly improves the selection quality of a job-promotion tournament by employing a hybrid incentive scheme that includes bonus payments.</p>	

Publications**A2 (Konrad)**

Name	Topic	Dates
Kai A. Konrad (joint with Dan Kovenock)	"The alliance formation puzzle and capacity constraints", Economics Letters	forthcoming

A8 (Heidhues/Rady)

Ludwig Reißner (joint with Markus Reisinger)	"The Choice of Prices vs. Quantities under Uncertainty", Journal of Economics and Management Strategy	forthcoming
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B3 (Hellwig)

Jos Jansen	"Strategic Information Disclosure and Competition for an Imperfectly Protected Innovation", Journal of Industrial Economics	forthcoming
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