



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. 10

**October 2009**

### SFB/TR15 Seminars

Berlin		
Date	Speaker (Institution)	Title
October 19	Anming Zhang, Sauder School of Business	tba
October 26	Johannes Van Biesebroeck, Center for Economic Studies, Leuven	tba

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

A1 (Bester / Strausz)		
Name	Topic	Dates
Johannes Münster	Jahrestagung 2009 des Vereins für Sozialpolitik, Universität Magdeburg (talk: "Mercenaries in Civil Wars, 1950-2000 ")	September 10
Roland Strausz	Wirtschaftswissenschaftliches Seminar Ottobeuren , Universität Tübingen (talk: "Regulatory risk under optimal incentive regulation")	September 13 - 16
A7 (Wolfstetter)		
Name	Topic	Dates
Cédric Wasser	ESEM 2009, Barcelona, Spain (talk: "Signaling in Auctions among Competitors")	August 26
Igor Sloev	EARIE, Annual Conference 2009, Ljubljana (talk: "Equilibrium Market Structure and Product Variety in Successive Oligopolies")	September 5
Thomas Giebe	Annual Meeting 2009, Magdeburg (talk: "Innovation Tournaments with Entry Auction")	September 4
Elmar Wolfstetter	Microeconomic Conference, Yonsei University, Seoul, South Korea	September 12
Elmar Wolfstetter	Korea University, Seoul, South Korea	September 1 - December 20
B4 (Kräkel)		
Name	Topic	Dates
Oliver Gürtler	Jahrestagung 2009 des Vereins für Socialpolitik, University of Magdeburg (talk: "Optimal Contracts For Lenient Supervisors")	September 8 - 11

Matthias Kräkel	Jahrestagung 2009 des Vereins für Socialpolitik, University of Magdeburg (talk: "Relative Performance Pay, Bonuses, and Job-Promotion Tournaments")	September 8 - 11
Petra Nieken	Jahrestagung 2009 des Vereins für Socialpolitik, University of Magdeburg (talk: "Risk Taking in Winner-Take-All Competition")	September 8 - 11

### C2 (Harhoff / Stahl)

Name	Topic	Dates
Carolin Häussler	Information Sharing in academia and the industry: A comparative study, X. Symposium zur ökonomischen Analyse der Unternehmung, Vallendar	September 30 – Oktober 2
Carolin Häussler	Sharing of Material in academia and the industry: A comparative study in the bio-sciences, 7. MC-Health-Tagung München	October 5
Carolin Häussler	Strategic alliance contracts: An overview of ex ante preferences for control rights, Academy of Management, Chicago	August 7 - 11
Carolin Häussler	Stock market reactions to patent oppositions in biotechnology and pharmaceuticals, Academy of Management, Chicago	August 7 - 11
Carolin Häussler	A comparison of information-sharing in the industry and academia, Academy of Management, Chicago	August 7 - 11
Karin Hoisl	Languages, Fees and the International Scope of Patenting, Copenhagen DRUID Summer Conference	June 17 - 19
Georg von Graevenitz	Incidence and Growth of Patent Thickets - the Impact of Technological Opportunities and Complexity, Barcelona Graduate School of Economics European Economic Association and the Econometric Society European meeting (EEA-ESEM)	August 23 - 28
Georg von Graevenitz	Are Advertising and R&D Complements?, OECD/Paris, Trade Marks and Trade Mark Data	July 15 - 17
Stefan Wagner	Patent data - Institutional background and novel insights based on European patent data, Professional Development Workshop, Chicago Academy of Management Meeting	August 7 - 11

### C5 (Kamecke / Röller)

Name	Topic	Dates
Joseph A. Clougherty	Office of Fair Trading, UK (talk: "The Deterrence Effects of U.S. Merger Policy Instruments" (co-authored with Jo Seldeslachts))	October 6

### C6 (Peitz / Stahl)

Name	Topic	Dates
Konrad Stahl	39th Seminar in Economics Ottobeuren, Discussion of CC v. Weizsäcker's: "The Concept of the "Relevant Market in Assessing Market Power"	September 13 – 16

Konrad Stahl	"Ownership and Control in Differentiated Product Markets", Joint Seminar, Department of Economics, University of Copenhagen and Copenhagen Business School	September 19
Konrad Stahl	"Certification and Exchange in Concentrated Markets", CIE-Workshop, University of Copenhagen	September 19
Konrad Stahl	Certification and Exchange in Concentrated Markets, University Frankfurt	October 28
Martin Peitz	"Pricing and Information Disclosure in Markets with Loss-Averse Consumers", EARIE Conference, Ljubljana	September 3 - 6
Martin Peitz	"Intermediation and Investment Incentives", NEREC conference, Madrid	September 11 - 12
Martin Peitz	"Pricing and Information Disclosure in Markets with Loss-Averse Consumers", seminar, University of Copenhagen	September 17
Martin Peitz	"Pricing and Information Disclosure in Markets with Loss-Averse Consumers," University of Copenhagen	September 18
Martin Peitz	"Pricing and Information Disclosure in Markets with Loss-Averse Consumers", seminar, University of Athens	October 6
Martin Peitz	"Pricing and Information Disclosure in Markets with Loss-Averse Consumers", seminar, University of Athens	October 8

## External seminars

### A4 (Rady / Schmidt)

Name	Topic	Dates
Stefan Vetter	Fairness and Cheating, 4th Nordic Conference on Behavioral and Experimental Economics, Norway	October 30 - 31

### A7 (Wolfstetter)

Name	Topic	Dates
Elmar Wolfstetter	Patent Licensing: Common vs. Private Values, National University, Seoul, South Korea	October 6

### B4 (Kräkel)

Name	Topic	Dates
Petra Nieken	Risk Taking in Winner-Take-All Competition, RWTH Aachen, Germany	September 4

### C6 (Peitz / Stahl)

Name	Topic	Dates
Konrad Stahl	Certification and Exchange in Concentrated Markets, Universität Frankfurt, Germany	October 28
Martin Peitz	Pricing and Information Disclosure in Markets with Loss-Averse Consumers, University of Copenhagen, Denmark	September 18
Martin Peitz	Pricing and Information Disclosure in Markets with Loss-Averse Consumers, University of Athens, Greek	October 6

## Internal Research Visits of SFB/TR 15 Members

### A5 (Schweizer / von Hagen)

Name	Topic	Dates
Daniel Krähmer	project visited: (A1)	September 11 - 25

## Publications

### C2 (Harhoff / Stahl)

Carolin Häussler	The Economics of Knowledge Regulation: An Empirical Analysis of Knowledge Flows, R&D Management 2009	forthcoming
Dietmar Harhoff, Karin Hoisl (LMU Munich), Bettina Reichl, Brunovan Pottelsberghe de la Potterie	Patent Validation at the Country Level - The Role of Fees and Translation Costs, Research Policy 2009	forthcoming
Dietmar Harhoff, Stefan Wagner	The duration of patent examination at the European Patent Office, Management Science 2009	forthcoming

## Dissertations and Habilitations

### A7 (Wolfstetter)

Name	Topic	Dates
Thomas Giebe	Three Essays on Auctions and Innovation	August 25

### C6 (Peitz / Stahl)

Name	Topic	Dates
Heiko Karle	Essays in Industrial Organization	July 15

## Visitors

### B4 (Kräkel)

Name	Topic	Dates
Susi Kusche	University of Hamburg	August 18 – 21
Matthew Higgins	Georgia Institute of Technology, Contracting in Strategic Alliances: Ex ante Preferences for Control Rights	August 27 – 31

## New Discussion Papers

A4 (Rady / Schmidt)		
Name	Title	Number
Klaus M. Schmidt	<p>The Role of Experiments for the Development of Economic Theories</p> <p><i>Abstract:</i>            Economic experiments interact with economic theories in various ways. First of all they are used to test economic theories. However, they can neither confirm nor falsify them in a strict sense. They rather inform us about the range of applicability, the robustness and the predictive power of a theory. Furthermore, economic experiments discover and isolate phenomena and challenge economic theorists to explain them. Finally, many economic experiments are “material” models. They are used to analyse and predict how changes in the environment affect economic outcomes. However, they cannot offer an explanation for what we observe. This has to be provided by economic theory.</p>	273
Klaus M. Schmidt	<p>Complementary Patents and Market Structure</p> <p><i>Abstract:</i>            Many high technology goods are based on standards that require several essential patents owned by different IP holders. This gives rise to a complements and a double mark-up problem. We compare the welfare effects of two different business strategies dealing with these problems. Vertical integration of an IP holder and a downstream producer solves the double mark-up problem between these firms. Nevertheless, it may raise royalty rates and reduce output as compared to non-integration. Horizontal integration of IP holders solves the complements problem but not the double mark-up problem. Vertical integration discourages entry and reduces innovation incentives, while horizontal integration always benefits from entry and innovation</p>	274

Anne Layne-Farrar, Klaus M. Schmidt	<p>Licensing Complementary Patents: “Patent Trolls”, Market Structure, and “Excessive” Royalties</p> <p><i>Abstract:</i></p> <p>The infamous Blackberry case brought new attention to so-called “patent trolls” and began the general association of trolls with “non-practicing” patent holders. This has had important legal consequences: Namely, patent holders have been denied injunctive relief because they did not practice the patents themselves. In this paper we analyze how patent holders — both non-practicing and vertically integrated — choose their royalties depending on the structure of the upstream and downstream markets and the types of licensing agreements available. We show that a vertically integrated firm has an incentive to raise its rivals’ costs and to restrict entry on the downstream market; incentives that do not hold for non-integrated patent holders. An automatic presumption that a non-integrated patent holder will charge higher royalties than a vertically integrated company is therefore unfounded. Whether a company charges “excessive” royalties depends on whether there is scope for hold-up, either because of sunk investments on the part of potential licensees or because of “weak” patents held by the licensor. These factors are orthogonal to whether patent holders are practicing or not</p>	275
Ernst Fehr, Klaus M. Schmidt	<p>On Inequity Aversion, A Reply to Binmore and Shaked</p> <p><i>Abstract:</i></p> <p>In this paper we reply to Binmore and Shaked’s criticism of the Fehr-Schmidt model of inequity aversion. We put the theory and their arguments into perspective and show that their criticism is not substantiated. Finally, we briefly comment on the main challenges for future research on social preferences.</p>	276
Sandra Ludwig, Christina Strassmair	<p>An Experimental study on the information structure in teams</p> <p><i>Abstract:</i></p> <p>Is free-riding in teams reduced when one member receives a signal on his colleague’s performance? And how does free-riding depend on the signal’s type? We address these questions in experimental teams in which two agents sequentially exert effort to contribute to the team output. We vary the type of information the second mover receives prior to his effort choice and find that agents work more when signals are available. Overall, behavior differs from predictions of standard theory. Signals that are predicted to have no effect are, in fact, influential and signals that are predicted to have an effect are redundant.</p>	277

Simon Loertscher, Markus Reisinger	Competitive Effects of Vertical Integration with Downstream Oligopsony and Oligopoly <i>Abstract:</i> We analyze the competitive effects of backward vertical integration by a partially vertically integrated firm that competes with non-integrated firms both upstream and downstream. We show that vertical integration is procompetitive under fairly general conditions. It can be anticompetitive only if the ex ante degree of integration is relatively large. Interestingly, vertical integration is more likely to be anticompetitive if the industry is less concentrated. These results are in line with recent empirical evidence. In addition, we show that even when vertical integration is procompetitive, it is not necessarily welfare enhancing.	278
<b>B5 (Schnitzer / Marin)</b>		
Name	Title	Number
Claudia M. Buch, Iris Kesternich, Alexander Lipponer, Monika Schnitzer	Financial Constraints and the Margins of FDI <i>Abstract:</i> Recent literature on multinational firms has stressed the importance of low productivity as a barrier to the cross-border expansion of firms. But firms may also need external finance to shoulder the costs of entering foreign markets. We develop a model of multinational firms facing real and financial barriers to foreign direct investment (FDI), and we analyze their impact on the FDI decision (the extensive margin) and foreign affiliate sales (the intensive margin). We provide empirical evidence based on a detailed dataset of German multinationals which contains information on parent-level and affiliate-level financial constraints as well as on the location the foreign affiliates. We find that financial factors constrain firms' foreign investment decisions, an effect felt in particular by large firms. Financial constraints at the parent level matter for the extensive, but less so for the intensive margin. For the intensive margin, financial constraints at the affiliate level are relatively more important.	272

## New / Leaving Staff

<b>B4 (Kräkel)</b>		
Name	Topic	Dates
Oliver Gürtler	has left project B4 to take up a professor ship at Cologne University	October 1
<b>C5 (Kamecke / Röller)</b>		
Name	Topic	Dates
Susanne Prantl	has left project C5	September 1

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<b>C6 (Peitz / Stahl)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Frank Rosar	has left project C6 to take a post-doc position at the University of Bonn	October 1
Jeanne Hagenbach	joins project C6, EA, full time, hagenbach@univ-paris1.fr	October 1
Lotta Väänänen	joins project C6 and C2, EA, both part time, lottavaan@googlemail.com	October 1