



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 2015

SFB/TR 15 Seminars

Berlin		
Date	Speaker (Institution)	Title
July 6	Patricia Funk (Universität Pompeu Fabra)	Gender Differences in Academic Performance: The Role of Punishment in Multiple Choice Exams
July 13	Daniel Müller (Uni Bonn)	Loss Aversion and Strategic Interaction
Munich		
Date	Speaker (Institution)	Title
July 7	Raquel Fernandez (NYU)	tba (Hans-Möller-Seminar)
July 13	Maja Adena (WZB Berlin)	tba (Micro Workshop)
July 14	Simon Board (UCLA)	tba (Hans-Möller-Seminar)
Bonn		
Date	Speaker (Institution)	Title
July 3	Ying Fang (University of Michigan)	Financial Constraints and Moral Hazard: The Case of Franchising
July 7	Gerd Mühlheuß (University of Hamburg)	Black Sheep or Scapegoats? Implementable Monitoring Policies under Unobservable Levels of Misbehavior
July 8	Maja Adena (Berlin Social Science Center)	tba
July 15	Simon Board (UCLA)	Competitive Information Disclosure and Consumer Search
July 17	Matthias Sutter (University of Cologne)	Goal Setting and productivity in a field experiment
July 21	Christina Bicchieri (University of Pennsylvania)	tba

Conferences Organized by SFB/TR15 Members

B8 (Adam)		
Name	Topic	Dates
Tim Adam Guillermo Baquero	Recent Advances in Mutual Fund and Hedge Fund Research	August 17-18
A4 (Schmidt)		
Name	Topic	Dates
Florian Englmaier	Natural Experiments and Controlled Field Studies / Credible Identification and Structural Modeling (CrIStM.as)	June 12-14
Matthias Fahn	Workshop on Relational Contracts, Holzhausen /Ammersee	June 12-14
A2 (Konrad)		
Name	Topic	Dates
Kai A. Konrad (joint with Karl Ove Moene)	Advances on Political Economy of Conflict and Redistribution III, Social Science Research Center Berlin	June 25-26

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

A1 (Bester/Tröger)		
Name	Topic	Dates
Malte Peuß (joint with Clemens Hetschko)	Impact of Job Loss on Risk-taking, Stirling PhD Conference in Behavioural Science	June 25
Matthias Lang	Legal Uncertainty - a Selective Deterrent, Department of Economics, University Copenhagen	May 12
A2 (Konrad)		
Name	Topic	Dates
Kai Konrad	"Sanctioning in spite of strong selection incentives", Universidad Carlos III de Madrid	June 9
Luisa Herbst	"Balance of power and the propensity of conflict", 14 th Journées Louis-André Gérard-Varet, Aix-en-Provence	June 16
A4 (Schmidt)		
Name	Topic	Dates
Florian Englmaier Matthias Fahn Marco A. Schwarz	Long-Term Employment Relations When Agents are Present-Biased (ISNIE Boston)	June 19
Florian Englmaier Matthias Fahn Marco A. Schwarz	Long-Term Employment Relations When Agents are Present-Biased (Paderborn)	June 01

A5 (Krähmer/Schweizer)		
Name	Topic	Dates
Schweizer, Urs	PET 15, Luxembourg, Presentation: Efficient incentives from obligation law and the compensation principle	July 2-4
A8 (Rady)		
Name	Topic	Dates
Sven Rady	"Strategic Experimentation with Private Payoffs", European Summer Symposium in Economic Theory, Gerzensee	July 10
A9 (Corneo)		
Name	Topic	Dates
Guido Neidhöfer	Intergenerational Mobility and the rise and fall of Inequality, 6th Meeting of the Society for the Study of Economic Inequality (ECINEQ), Université du Luxembourg	July 13-15
B5 (Eckel/Schnitzer)		
Name	Topic	Dates
Martin Watzinger	"Measuring Spillovers of Venture Capital" (joint with Monika Schnitzer), DRUID15 Conference on the Relevance of Innovation, LUISS, Rome, Italy	June 15 – 17
Markus Nagler	„Weak Markets, Strong Teachers: Recession at Career Start and Teacher Effectiveness“, Spring Meeting of Young Economists in Ghent	May 22
Martin Watzinger	"Antitrust, Patents, and Cumulative Innovation: How 'Ma Bell' gave birth to the Silicon Valley" (joint with Thomas Fackler, Markus Nagler and Monika Schnitzer), Boston University	May 15

B7 (Marin)		
Name	Topic	Dates
Dalia Marin	Dalia Marin presented her paper "Trade in Tasks and the Organization of Firms" (joint with Jan Schymik and Alexander Tarasov) at the Barcelona Graduate School of Economics Summer Forum: Firms in the Global Economy, Barcelona	June 11
Dalia Marin	Dalia Marin gave a keynote lecture on "The Rise of Robots in Europe" at the conference "The Reindustrialization of Europe", Forum Europe, Brussels	June 23
Alexander Tarasov	Alexander Tarasov gave a talk on "Trade and the Spatial Distribution of Transport Infrastructure" at the Society of Economic Dynamics Conference, Warsaw	June 27
C2 (Harhoff/Peitz)		
Name	Topic	Dates
Dietmar Harhoff	Deferred Patent Examination" (joint with Ilya Rudyk and Sebastian Stoll), 2015 International Workshop on Patent System and Inventor at the Max Planck Institute for Innovation and Competition	June 16
Sebastian Stoll	Deferred Patent Examination" (joint with Dietmar Harhoff and Ilya Rudyk), DRUID15 Conference on the Relevance of Innovation at LUISS Business School, Rome	June 15-17
C5 (Nocke)		
Name	Topic	Dates
Nicolas Schutz	University of Vienna, presentation of "Multiproduct-Firm Oligopoly: An Aggregative Games Approach" (with Volker Nocke)	June
Nicolas Schutz	MaCCI Summer Institute, presentation of "Multiproduct-Firm Oligopoly: An Aggregative Games Approach" (with Volker Nocke)	June 25
Volker Nocke	Research Seminar, University of Tilburg (Talk: "Internal vs. External Growth in Industries with Scale Economies: A Computational Model of Optimal Merger Policy")	December 3, 2014
Volker Nocke	Research Seminar, University of Regensburg (Talk: "Exclusive Dealing and Vertical Integration in Interlocking Relationships")	December 8, 2014
Volker Nocke	Research Seminar, LMU Munich (Talk: "Exclusive Dealing and Vertical Integration in Interlocking Relationships")	December 9, 2014
Volker Nocke	Research Seminar, University of Antwerp (Talk: "Merger Policy in a Quantitative Model of International Trade")	March 4, 2015
Volker Nocke	Research Seminar, University of Naples (Talk: "Merger Policy in a Quantitative Model of International Trade")	March 10

Volker Nocke	CEPR Applied IO Conference, University of Zurich (Talk: "Internal vs. External Growth in Industries with Scale Economies: A Computational Model of Optimal Merger Policy")	May 21-23
Volker Nocke	Toulouse School of Economics (Collaboration with Patrick Rey on "Inspection Costs and Multiproduct Firms")	Oct 22-26, 2014
Volker Nocke	MIT (Collaboration with Michael Whinston) and University of Virginia (Collaboration with Simon Anderson)	November 12-18, 2014
Volker Nocke	Sciences Po Paris (Collaboration with Emeric Henry on "Mergers and Innovation")	December 10-16, 2014
Volker Nocke	MIT (Collaboration with Michael Whinston on "Dynamic Delegated Agency")	January 5-21, 2015
Volker Nocke	Toulouse School of Economics (Collaboration with Patrick Rey on "Inspection Costs and Multiproduct Firms")	February 4-8, 2015
Volker Nocke	Toulouse School of Economics (Collaboration with Patrick Rey on "Inspection Costs and Multiproduct Firms")	May 25-31

New Discussion Papers

A4 (Schmidt)

Name	Title	Number
Florian Englmaier, Katharina Schüßler	<p>Complementarities of HRM Practices - A Case for Employing Multiple Methods and Integrating Multiple Fields</p> <p>Abstract: We provide an overview over different literature streams that aim at explaining the origin of persistent productivity differences across organizations by variation in the use of management practices. We focus on human resource management (HRM) practices, document gaps in the literature, and show how insights from behavioral economics can inform the analysis. To this end, we develop a simple agency model illustrating how social preferences influence the design and impact of incentive schemes, investigate how auxiliary HRM practices can strengthen this interaction, and provide an overview over empirical investigations of this questions. Finally, we identify avenues for further research in this field.</p> <p><i>Keywords:</i> Complementarities; HRM practices; Method mix; Social preferences; Persistent Productivity Differences. JEL Classification Numbers: D22, M50, M52.</p>	503

Name	Title	Number
Florian Englmaier, Thomas Kolaska, Stephen Leider	<p data-bbox="517 439 1179 465">Reciprocity in Organisations - Evidence from the UK</p> <p data-bbox="517 495 1179 987"> Abstract: Recent laboratory evidence suggests that personality traits, in particular social preferences, may affect contractual outcomes under moral hazard. Using the British Workplace Employment Relations Survey 2004 we find that behaviour of employers and employees is consistent with the presence of gift-exchange motives: firms that screen applicants for personality are less likely to pay low wages and more likely to provide (non-pecuniary) benefits. Firms likewise benefit from employee screening as they can implement more team-working and are generally more successful. Other human resource management practices only poorly predict these patterns. Moreover, there is no association between dismissals and personality tests, indicating that personality tests do not merely improve the fit between applicant and employer. Hence, we conclude that motivation based on gift-exchange motives is a plausible explanation for our results. </p> <p data-bbox="517 1016 1179 1099"> Keywords: Reciprocity, Organisational Structure, Employee Compensation JEL Classification: D22, M52 </p>	504
Name	Title	Number
Florian Englmaier, Arno Schmöller, Till Stowasser	<p data-bbox="517 1173 1179 1200">Price discontinuities in an online market for used cars</p> <p data-bbox="517 1229 1179 1722"> Abstract: We use more than 63,000 datapoints from a German used car market website to document systematic and substantial price drops at vintage (= year of first registration) thresholds and 10,000 km odometer marks. The latter finding replicates the findings in Lacetera <i>et al.</i> (2012), whereas the first dimension cannot be analyzed with their US data because only German cars have such legally mandated and regulated "birthdates". Hence we have the unique opportunity to study the presence of coarse information processing within the same dataset and decision problem but across two separate domains. We document that discontinuities in these two domains are of comparable size. While Lacetera <i>et al.</i> (2012) explain their result with a left-digit bias in the processing of numerical information, vintage discontinuities cannot be explained by this. We propose a slightly more general model of information prominence and availability bias to accommodate our findings. </p> <p data-bbox="517 1751 1179 1816"> Keywords: Complex Goods; Price Discontinuities; Information Neglect; Heuristics; Field Study JEL classification: D12, D83, L62 </p>	505

Name	Title	Number
Florian Englmaier, Matthias Fahn	<p>Size Matters - “Over”investments in a Relational Contracting Setting</p> <p>Abstract: The corporate finance literature documents that managers tend to overinvest into physical assets. A number of theoretical contributions have aimed to explain this stylized fact, most of them focussing on a fundamental agency problem between shareholders and managers. The present paper shows that overinvestments are not necessarily the (negative) consequence of agency problems between shareholders and managers, but instead might be a second-best optimal response if the scope of court-enforceable contracts is limited. In such an environment a firm has to rely on relational contracts in order to manage the agency relationship with its workforce. The paper shows that investments into physical productive assets enhance the enforceability of relational contracts and hence investments optimally are “too high”.</p> <p><i>JEL Codes:</i> C73, D21, D86, G32 <i>Keywords:</i> relational contracts, corporate finance, capital investments</p>	506
Name	Title	Number
Florian Englmaier, Andreas Roider, Uwe Sunde	<p>The Role of Communication of Performance Schemes: Evidence from a Field Experiment</p> <p>Abstract: In corporate practice, incentive schemes are often complicated even for simple tasks. Hence, the way they are communicated might matter. In a controlled field experiment, we study a minimally invasive change in the communication of a well-established incentive scheme - a reminder regarding the piece rate at the beginning of the shift. The experiment was conducted in a large firm where experienced managers work in a team production setting and where incentives for both quantity and quality of output are provided. While the treatment conveyed no additional material information and left the incentive system unchanged, it had significant positive effects on quantity and on managers' compensation. These effects are economically sizable and robust to alternative empirical specifications. We consider various potential mechanisms, where our preferred explanation - improved salience of incentives - is consistent with all of the findings.</p> <p><i>Keywords:</i> incentives, attention, salience, communication, field experiment <i>JEL classification:</i> M52, J30, D03, D80</p>	507

Name	Title	Number
Florian Englmaier, Till Stowasser	<p data-bbox="517 439 1177 465">Electoral cycles in savings bank lending</p> <p data-bbox="517 495 1177 846">Abstract: We provide evidence that German savings banks – where local politicians are by law involved in their management – systematically adjust lending policies in response to local electoral cycles. The different timing of county elections across states and the existence of a control group of cooperative banks – that are very similar to savings banks but lack their political connectedness – allow for clean identification of causal effects of county elections on savings banks' lending. These effects are economically meaningful and robust to various specifications. Moreover, politically induced lending increases in incumbent party entrenchment and in the contestedness of upcoming elections.</p> <p data-bbox="517 875 1177 983">Keywords: Bank lending cycles, political business cycles, political connectedness, public banks, government ownership of firms JEL classification: G21, D72, D73</p>	508

A7 (Strausz/Wolfstetter)

Name	Title	Number
Martin Pollich	<p data-bbox="517 1108 1177 1135">Mediated Audits</p> <p data-bbox="517 1164 1177 1547">Abstract: I study the optimal audit mechanism when the principal cannot commit to an audit strategy. Invoking a revelation principle, the agent reports her type to a mediator who assigns contracts and recommends the principal whether to audit. For each reported type the mediator randomizes over a base-contract and the audit contract, accompanied by a recommendation to audit. For large penalties the optimal mechanism uses strictly more contracts than types and cannot be implemented via offering a menu of contracts. The analysis provides a proper benchmark for studying auditing under limited commitment and sheds new light on the usefulness of mediation in contracting and on the design of optimal mechanisms.</p> <p data-bbox="517 1576 1177 1657">Keywords: Auditing, limited commitment, mediation, contract theory JEL classification: D82, D86, C72</p>	509

Cuihong Fan, Byoung Heon Jun, Elmar G. Wolfstetter	Licensing Innovations: The Case of the Inside Patent Holder Abstract: The present paper reconsiders the inside innovators' licensing problem under incomplete information. Employing an optimal mechanism design approach, we show that, contrary to what is claimed in the literature, the optimal mechanism may prescribe fixed fees, royalty rates lower than the cost reduction, and even negative royalty rates. Keywords: Innovation, licensing, industrial organization. JEL Classification: D21, D43, D44, D45	510
--	--	-----

Publications

A7 (Strausz/Wolfstetter)		
Name	Topic	Dates
Roland Strausz (with Daniel Krämer)	"Dynamic Mechanism Design." Chapter 11 in ed. T. Börgers in An Introduction to the Theory of Mechanism Design, 204--234.	June 25
C5 (Nocke)		
Name	Topic	Dates
Volker Nocke & Stephen Yeaple	Globalization and Multiproduct Firms, International Economic Review	2014, vol. 55(4), 993-1018
C8 (Falk)		
Name	Topic	Dates
Hannah Schildberg-Hörisch (joint with Sebastian Kube, Sebastian Schaub, Elina Khachatryan)	Institution Formation and Cooperation with Heterogeneous Agents, European Economic Review	forthcoming

New/Leaving Staff

C9 (Von Thadden)		
Name	Topic	Dates
Naoki Wakamori	Left the SFB TR 15 project	June 2015

Visitors

B5 (Eckel/Schnitzer)		
Name	Speaker (Institution)	Date
Frank Pisch, London School of Economics	IO- and Trade Seminar	July 7
Natalia Ramondo, UC San Diego	Munich International Economics Seminar: "Trade, Domestic Frictions, and Scale Effects" (with Andres Rodriguez-Clare and Milagro Saborio-Rodriguez)	June 29
Eduardo Morales, Princeton University	Munich International Economics Seminar: "What do Exporters Know?" (with Michael Dickstein)	May 25 – 26
Jakob Munch, University of Copenhagen	tba	July 6
A7 (Strausz/Wolfstetter)		
Name	Speaker (Institution)	Date
Prof. Byoung Heon Jun	Korea University, Seoul	August 6-26

SFB/TR 15 speaker: Prof. Dr. Klaus M. Schmidt. Editorial: Tamilla Benkelberg, Ludwigstr. 28 RG, 80539 München. URL: <http://www.sfbtr15.de>, phone 089/2180-3405, fax 089/2180-3510, e-mail: sfb-tr15@vwl.lmu.de,