



**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 2014

### SFB/TR 15 Seminars

<b>Munich</b>		
<b>Date</b>	<b>Speaker (Institution)</b>	<b>Title</b>
October 6	Andreas Leibbrandt (Monash University)	"If One Price Is Good, Are Two Better? Experimental Evidence On Pricing And Customer Antagonism"
October 7	Mathias Thoenig (University of Lausanne)	"This Mine is Mine! How Minerals Fuel Conflicts in Africa"
October 13	Andy Newman (Boston University)	Tba
October 14	Diego Puga (CEMFI Madrid)	Tba
October 20	Simon Lörtscher (University of Melbourne)	Tba
October 21	John List (University of Chicago)	Tba
October 27	Collin Raymond (University of Oxford)	Tba
October 28	Luigi Guiso (EIEF Rom)	Tba
<b>Berlin</b>		
<b>Date</b>	<b>Speaker (Institution)</b>	<b>Title</b>
October 23	Zacharias Sautner (Frankfurt School of Finance & Mgmt.) (HUBerlin, TP B08)	Managerial Short-Termism and Investment: Evidence from Accelerated Option Vesting
October 13 (HU Berlin)	Olga Gorelkina (MPI Bonn)	Delayed Verification Mechanism for Dynamic Implementation
October 20 (HU Berlin)	Humberto Moreira (Escola Brasileira de Economia e Financas)	Simultaneous Adverse Selection and Moral Hazard
October 27 (HU Berlin)	Francesc Dilme (Uni Bonn)	Reputation Building through Costly Adjustment
<b>Mannheim</b>		
<b>Date</b>	<b>Speaker (Institution)</b>	<b>Title</b>
September 16	Paul Scott Toulouse School of Economics	Dynamic Discrete Choice Estimation of Agricultural Land Use (with and without Land Values)
September 23	Renato Gomes	Competitive Screening under Heterogeneous Information
October 7	Gregory Corcos Ecole Polytechnique	Trade Liberalization and the Link Between Services and Goods Trade at the Firm Level

## Conferences Organized by SFB/TR15 Members

A2 (Konrad)		
Name	Topic	Dates
Kai A. Konrad (with Dan Kovenock)	Workshop on Contest Theory and Political Competition, Max Planck Institute for Tax Law and Public Finance	September 4-5
A7 (Strausz/Wolfstetter)		
Name	Topic	Dates
Roland Strausz	3rd Berlin IO Day	September 26
B8 (Adam)		
Name	Topic	Dates
Adam, Tim	Mutual Fund Conference	August 25./26.

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

A2 (Konrad)		
Name	Topic	Dates
Luisa Herbst	"Balance of Power and the Propensity of Conflict", ESA European Meeting, Prague	September 4
Kai Konrad	"The future of fiscal responsibility in the Eurozone", Forum for EU-US Legal-Economic Affairs, Vienna	September 10
Kai Konrad	"Fiscal Architecture in Europe: the Samaritan's Dilemma?", Europe's Crisis – The Conflict-Theoretic Perspective, Freiburg	September 26
A4 (Schmidt)		
Name	Topic	Dates
Joachim Winter	"Can Survey Participation Alter Household Saving Behavior?", Jahrestagung des Vereins für Socialpolitik, Hamburg	September 9
Takeshi Murooka	"Deception under Competitive Intermediation" at University of Edinburgh	September 15
Lisa Fey	"Leniency Programmes and Private Actions for Damages" 31th annual conference of the European association of law and economics, Aix-en-Provence.	September 19.-20.
Matthias Fahn	„Teamwork as a Self-Disciplining Device“, EARIE conference, Milan	August 31
Matthias Fahn	„Teamwork as a Self-Disciplining Device“ Verein für Socialpolitik, Hamburg	September 10
Matthias Fahn	„Teamwork as a Self-Disciplining Device“ GEABA conference, Regensburg	September 24

<b>A5 (Krähler/Schweizer)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Urs Schweizer	"Acquisition of Information under Mandatory versus Voluntary Disclosure", University of Portsmouth	September 25
<b>A7 (Strausz/Wolfstetter)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Elmar Wolfstetter	Visiting Professor, Korea University	August 29- November 2
Matthias Lang	Communicating Subjective Evaluations, EARIE, Milan	August 31
Matthias Lang	Legal Uncertainty – an Effective Deterrent?, Jahrestagung, VfS, Hamburg	September 9
Martin Pollrich	Optimal Incentive Contracts to Avert Firm Relocation, Jahrestagung, VfS, Hamburg	September 9
Roland Strausz	Ex post information rents in sequential screening, Copenhagen University	September 16
<b>A9 (Corneo)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Giacomo Corneo	"Income inequality from a lifetime perspective", Henan University, Kaifeng.	September 22
Giacomo Corneo	"Income inequality from a lifetime perspective", Renmin University of China, Peking	September 29
<b>B4 (Kräkel)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Matthias Kräkel	"Advertising and Non-Bayesian Beliefs" (joint work with Andreas Grunewald), GEABA, Regensburg	September 24
<b>B5 (Eckel/Schnitzer)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Kesternich, Iris	"Early life circumstances predict measure of trust attitudes among adults", ESCR Workshop: Early life influences on later life health and economic outcomes, Stirling, Scotland	September 18
Kesternich, Iris	"Homo oeconomicus or homo hippocraticus? Professional norms and physician behavior", "9th Nordic Conference on Behavioral and Experimental Economics", Aarhus, Denmark	September 27
Schnitzer, Monika	„Sozio-ökonomische Aspekte d Energiewende“, Leopoldina-Lecture, Hannover	September 2
Watzinger, Martin	"Measuring Spillover of Venture Capital", Annual Conference of the Verein für Socialpolitik, Hamburg	September 8
Watzinger, Martin	"Measuring Spillover of Venture Capital", GEABA Konferenz, Regensburg	September 23

<b>B8 (Adam)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Tim Adam	Institute Corporate Finance (TP B08), Forschungsaufenthalt in Hong Kong (China)	September 1 – October 12
<b>C2 (Harhoff/Peitz)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Dietmar Harhoff	„Exploring the Opaqueness of the Patent System - Evidence from a Natural Experiment", MaCCI, Mannheim, („Annual Conference of the Leibniz Science Campus MaCCI - Mannheim Centre for Competition and Innovation")	March 14-15
Dietmar Harhoff	„Exploring the Opaqueness of the Patent System - Evidence from a Natural Experiment" TIME, München, ("TIME Colloquium")	July 2
Dietmar Harhoff	„Exploring the Opaqueness of the Patent System - Evidence from a Natural Experiment" EEA, Toulouse, Frankreich, („29th Annual Congress of the European Economic Association")	August 25-29
Dietmar Harhoff	„Exploring the Opaqueness of the Patent System - Evidence from a Natural Experiment" EPIP, Brüssel, Belgien, ("9th Annual Conference of the EPIP Association")	September 4-5
Dietmar Harhoff	SFB, Caputh bei Berlin, Deutschland, („SFB/TR15 Tagung Caputh 2014")	October 8-10
Dietmar Harhoff	REER, Atlanta, USA, („14th Annual Roundtable for Engineering Entrepreneurship Research“, Georgia Institute of Technology)	November 7-9
Dietmar Harhoff	IPSDM, Tokyo, Japan, („2014 Conference on IP Statistics for Decision Makers")	November 17-18
<b>C5 (Nocke)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Jan-Peter Siedlarek	Seminar at the Max-Planck Institute for Research on Collective Goods, Bonn, "The Impact of Merger Control Legislation on Bank Mergers"	September 17
Jan-Peter Siedlarek	resentation at EUI Alumni Conference in Economics, Florence, "The Impact of Merger Control Legislation on Bank Mergers"	September 26-27
Volker Nocke	CRESSE Conference on Competition and Regulation, Corfu; Invited Talk: "Merger Policy in a Quantitative Model of International Trade"	July 4-6
Volker Nocke	EEA-ESEM Annual Conference, Toulouse; Invited Talk (ESEM): "Optimal Horizontal Merger Policy"	August 25-29
Volker Nocke	1st CREST-ECODEC Conference on the Advances in the Economics of Antitrust and Consumer Protection, Paris; Invited Talk: "Vertical Integration and Foreclosure in Multilateral Relations"	September 18-19

C8 (Falk)		
Name	Topic	Dates
Hannah Schildberg-Hörisch	Self-control and crime revisited: Disentangling the effect of self-control on risk and social preferences (joint with Tim Friehe), ESEM 2014	August 25
Hannah Schildberg-Hörisch	How does socio-economic status shape a child's personality? (joint with Thomas Deckers, Armin Falk and Fabian Kosse), EEA 2014, Toulouse	August 27
Hannah Schildberg-Hörisch	How does socio-economic status shape a child's personality? (joint with Thomas Deckers, Armin Falk and Fabian Kosse), VfS 2014, Hamburg	September 8
Matthias Wibral	How Malleable Are Choice Brackets? The Case of Myopic Loss Aversion , BDRM, London	July 18

### Internal Research Visits of SFB/TR 15 Members

Name	Topic	Dates
Daniel Krähmer (A5)	visits project A7	September 15-22

### New Discussion Papers

B8 (Adam)		
Name	Title	Number
Tim R. Adam, Valentin Burg, Tobias Scheinert, Daniel Streitz	<p><b>Managerial Optimism and Debt Contract Design: The Case of Syndicated Loans</b></p> <p><b>Abstract:</b> We examine the impact of managerial optimism on the inclusion of performance-pricing provisions in syndicated loan contracts (PSD). Optimistic managers may view PSD as a relatively cheap form of financing given their upwardly biased expectations about the firm's future cash flow. Indeed, we find that optimistic managers are more likely to issue PSD, and choose contracts with greater performance-pricing sensitivity than rational managers. Consistent with their biased expectations, firms with optimistic managers perform worse than firms with rational managers after issuing PSD. Our results indicate that behavioral aspects can affect contract design in the market for syndicated loans.</p> <p>Keywords: Optimism Bias, Performance-Sensitive Debt, Debt Contracting, Syndicated Loans JEL-Classification: G02, G30, G31, G32</p>	475

**B8 (Adam)**

Name	Title	Number
Tim R. Adam and Daniel Streitz	<p><b>Hold-Up and the Use of Performance-Sensitive Debt</b></p> <p><b>Abstract:</b>            We examine whether performance-sensitive debt (PSD) is used to reduce hold-up problems in long-term lending relationships. We find that the use of PSD is more common in the presence of a long-term lending relationship and if the borrower has fewer financing alternatives available. In syndicated deals, however, the presence of a relationship lead arranger reduces the use of PSD, which is consistent with hold-up being of lesser concern in such cases. Further, supporting our hypothesis that hold-up concerns motivate the use of PSD, we find a substitution effect between the use of PSD and the tightness of financial covenants.</p> <p>Keywords: Performance-sensitive debt, relationship lending, hold-up, holdout, syndicated debt, covenants            JEL-Classification: G21, G31, G32</p>	476

**C9 (von Thadden/Schmidt-Dengler)**

Name	Title	Number
Xavier D'Haultfoeuille, Isis Durrmeyer, Philippe Février	<p><b>Automobile Prices in Market Equilibrium with Unobserved Price Discrimination</b></p> <p><b>Abstract:</b>            This paper deals with the estimation of structural models of demand and supply with incomplete information on prices. When the seller is able to price discriminate, or the buyer to bargain, individuals pay different prices that are usually not collected in the data. This paper explores a method to estimate the supply and demand models jointly when only posted prices are observed. We consider that heterogeneous transaction prices occur due to price discrimination by firms on observable characteristics of consumers. Within this framework, the identification is secured by (i) supposing that at least one group of individuals does pay the posted prices and (ii) assuming that the marginal costs of producing and selling the goods does not depend on the characteristics of the buyers. This methodology is applied to estimate the demand in the new automobile market in France. Results suggest that discounting arising from price discrimination is important. The average discount is estimated to be 5.2%, with large variation according to the buyers' characteristics. Our results are in line with discounts generally observed in European and American automobile markets.</p>	477

**A7 (Strausz/Wolfstetter)**

Name	Title	Number
Cuihong Fan, Elmar G. Wolfstetter	<p data-bbox="371 387 970 414"><b>The Merger-Paradox: A Tournament-Based Solution</b></p> <p data-bbox="371 443 480 470"><b>Abstract:</b></p> <p data-bbox="371 472 1281 663">According to the well-known “merger paradox”, in a Cournot market game mergers are generally unprofitable unless most firms merge. The present paper proposes an optimal merger mechanism. With this mechanism mergers are never unprofitable, more profitable than in other known mechanism, and in many cases welfare increasing. The proposed mechanism assumes that merged firms continue to operate as independent subsidiaries that are rewarded according to a simple and commonly observed relative performance measure.</p> <p data-bbox="371 689 1214 741"><i>Keywords:</i> Mergers, multi-divisional firms, tournaments, industrial organization. <i>JEL Classifications:</i> L00, D4</p>	478

**A10 (Szalay)**

Name	Title	Number
Inga Deimen, Dezső Szalay	<p data-bbox="371 866 762 893"><b>Smooth, strategic communication</b></p> <p data-bbox="371 922 480 949"><b>Abstract:</b></p> <p data-bbox="371 952 1281 1391">We study strategic information transmission in a Sender-Receiver game where players' optimal actions depend on the realization of multiple signals but the players disagree on the relative importance of each piece of news. We characterize a statistical environment - featuring symmetric loss functions and elliptically distributed parameters - in which the Sender's expected utility depends only on the first moment of his posterior. Despite disagreement about the use of underlying signals, we demonstrate the existence of equilibria in differentiable strategies in which the Sender can credibly communicate posterior means. The existence of smooth communication equilibria depends on the relative usefulness of the signal structure to Sender and Receiver, respectively. We characterize extensive forms in which the quality of information is optimally designed of equal importance to Sender and Receiver so that the best equilibrium in terms of ex ante expected payoffs is a smooth communication equilibrium. The quality of smooth equilibrium communication is entirely determined by the correlation of interests. Senders with better aligned preferences are endogenously endowed with better information and therefore give more accurate advice.</p> <p data-bbox="371 1417 1177 1496"><i>Keywords:</i> strategic information transmission, multi-dimensional cheap talk, monotone strategies, endogenous information, elliptical distributions <i>JEL:</i> D82</p>	479

**A7 (Strausz/Wolfstetter)**

Name	Title	Number
Martin Pollrich, Robert C. Schmidt	<p><b>Optimal incentive contracts to avert firm relocation</b></p> <p><b>Abstract:</b> A unilateral policy intervention by a country (such as the introduction of an emission price) can induce firms to relocate to other countries. We analyze a dynamic game where a regulator offers contracts to avert relocation of a firm in each of two periods. The firm can undertake a location-specific investment (e.g., in abatement capital). Contracts can be written on some contractible productive activity (e.g., emissions), but the firm's investment is not contractible. A moral hazard problem arises under short-term contracting that makes it impossible to implement outcomes with positive transfers in the second period. The regulator resorts to high-powered incentives in the first period. The firm then overinvests and a lock-in effect prevents relocation in both periods. Paradoxically, the distortion in the first-period contract can be so severe that higher transfers are needed to avert relocation compared to a (hypothetical) situation without the investment opportunity.</p> <p>Keywords: moral hazard; contract theory; limited commitment; firm mobility; abatement capital JEL classification: D82, D86, L51, Q58</p>	480

**A7 (Strausz/Wolfstetter)**

Name	Title	Number
Martin Pollrich, Lilo Wagner	<p><b>Informational opacity and honest certification</b></p> <p><b>Abstract:</b> This paper studies the interaction of information disclosure and reputational concerns in certification markets. We argue that by revealing less precise information a certifier reduces the threat of capture. Opaque disclosure rules may reduce profits but also constrain feasible bribes. For large discount factors a certifier is unconstrained in the choice of a disclosure rule and full disclosure maximizes profits. For intermediate discount factors, only less precise, such as noisy, disclosure rules are implementable. Our results suggest that contrary to the common view, coarse disclosure may be socially desirable. A ban may provoke market failure especially in industries where certifier reputational rents are low.</p> <p>Keywords: Certification; Bribery; Reputation JEL Classification Numbers: L15; D82; L14; L11</p>	481



## Publications

A7 (Strausz/Wolfstetter)		
Name	Topic	Dates
Robert Schmidt and Roland Strausz	"On the Timing of Climate Agreements", Environmental and Resource Economics	forthcoming
B4 (Kräkel)		
Name	Topic	Dates
Matthias Kräkel (joint with N. Szech and F. von Bieberstein)	Externalities in Recruiting. Journal of Economic Behavior and Organization	forthcoming

## Miscellaneous

C8 (Falk)		
Name	Topic	Dates
Armin Falk	Preis des Wirtschaftspolitischen Club Deutschlands "Impulsrede zur Sozialen Marktwirtschaft"	September 4

## New/Leaving Staff

A4 (Schmidt)		
Name	Topic	Dates
Carmen Thoma	Is leaving project A4	October 1
B4 (Kräkel)		
Name	Topic	Dates
Petra Nieken	Is leaving project B4 and will take a position as full professor at Karlsruhe Institut for Technology	October 2014
B5 (Eckel/Schnitzer)		
Name	Topic	Dates
Kesternich, Iris	Is leaving the SFB to join KU Leuven, Belgium	October 1
B8 (Adam)		
Name	Topic	Dates
Dr. Ding, Haina	HU Berlin, Institut Corporate Finance, TP B8	September 1

SFB/TR 15 speaker: Prof. Dr. Klaus M. Schmidt. Editorial: Alexandra Frank, 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](mailto:sfb-tr15@vwl.lmu.de),