

**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. 9-10****September /October****2015****SFB/TR 15 Seminars**

<b>Berlin</b>		
<b>Date</b>	<b>Speaker (Institution)</b>	<b>Title</b>
October 12	Omer Moav (University of Warwick)	Cereals, Appropriability and Hierarchy
October 19	Emmanuelle Auriol (Toulouse School of Economics)	Intellectual Property Rights Protection and Trade
October 26	Sander Heinsalu (Queensland)	tba
<b>Bonn</b>		
<b>Date</b>	<b>Speaker (Institution)</b>	<b>Title</b>
October 21	Jörgen Weibull (Stockholm School of Economics)	tba
October 22	Darrell Duffie (Stanford University)	tba
October 23	Dominic Rohner (University of Lausanne)	tba
<b>Mannheim</b>		
<b>Date</b>	<b>Speaker (Institution)</b>	<b>Title</b>
September 8	Helena Perrone (Universitat Pompeu Fabra, Barcelona)	Price dispersion and informational frictions: Evidence from Supermarkets Purchases
September 15	Thibault Fally (University of California, Berkeley)	Firm Heterogeneity in Consumption Baskets: Evidence from Home and Store Scanner Data
September 22	Mathias Reynaert (Toulouse School of Economics)	Abatement Strategies and the Cost of Environmental Regulation: Emission Standards on the European Automobile Market
September 29	Vincenzo Denicolo (University of Leicester)	Exclusive Contracts with Imperfect Rent Extraction
October 6	Martin Schmalz (University of Michigan)	Anti-Competitive Effects Of Common Ownership

Munich		
Date	Speaker (Institution)	Title
October 12	Stefania Garetto (Boston University)	tba
October 12	Micro Workshop	tba
October 13	Leonardo Bursztyn (UCLA) (Hans-Möller-Seminar)	"Moral Incentives: Experimental Evidence from Repayments of an Islamic Credit Card"
October 19	Micro Workshop	tba
October 20	Botond Koszegi (CEU) (Hans-Möller-Seminar)	"Cursed Financial Innovation"
October 26	Micro Workshop	tba
October 27	Mathias Thoenig (U Lausanne) (Hans-Möller-Seminar)	tba

### Conferences Organized by SFB/TR15 Members

A2 (Konrad)		
Name	Topic	Dates
Kai Konrad	XVI Tax Day, Max Planck Institute for Tax Law and Public Finance	August 4-5
A4 (Schmidt)		
Name	Topic	Dates
Klaus Schmidt	"Behavioral Economics", CESifo Network Area Conference, Munich	October 23-24
	<b>FINAL SFB Conference, Tutzing</b>	<b>October 28-30</b>
	12 <sup>th</sup> SFB Young Researcher Workshop	October 30-31

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

A2 (Konrad)		
Name	Topic	Dates
Kai Konrad	"Interest Groups, Influence Activities and Politicians with Imperfect Commitment", 15 <sup>th</sup> SAET Conference, Cambridge	July 30
Kai Konrad	"Targeted campaign competition, loyal voters, and supermajorities", 71 <sup>st</sup> Annual Congress of the IIPF, Dublin	August 22
Kai Konrad	"To deter or to moderate? Alliance formation in contests", XXX Jornadas de Economia Industrial, Alicante	September 4
Luisa Herbst	Research visit at the National University of Singapore, Singapore	August 24 – September 11
Luisa Herbst	"Who pays to win again?", Applied Theory Reading Group, NUS, Singapore	September 4
Florian Morath	"Balance of power and the propensity of conflict", 71 <sup>st</sup> Annual Congress of the IIPF, Dublin	August 23
Florian Morath	"Balance of power and the propensity of conflict", annual conference of the Verein für Socialpolitik, Münster	September 8

<b>A4 (Schmidt)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Joachim Winter	"Plan switching and inertia in Medicare Part D: Evidence from administrative data", NBER Summer Institute, Cambridge, MA	July 23
Joachim Winter	"Identification of structural models in the presence of measurement error due to rounding in survey responses", World Congress of the Econometric Society, Montreal	August 21
Klaus Schmidt	"Auctions vs. Negotiations - The Effects of Inefficient Renegotiation", Invited session of "Behavioral IO", Annual Meeting of the European Economic Association	August 24
Klaus Schmidt	"Competition and Incentives", Conference on "Endogenous Preferences and the Broader Effects of Competition", Dutch Academy of Sciences, Amsterdam	September 1-2
Marco A. Schwarz	"The Timing of Active-Choice Policy" (joint with Takeshi Murooka, Bavarian Micro Day, Bamberg	June 26
Marco A. Schwarz	"The Timing of Active-Choice Policy" (joint with Takeshi Murooka), 42nd EARIE Annual Conference, Munich	August 30
Marco A. Schwarz	"Long-Term Employment Relations When Agents are Present-Biased" (joint with Florian Englmaier and Matthias Fahn), World Congress of the Econometric Society, Montreal	August 21
Marco A. Schwarz	"Long-Term Employment Relations When Agents are Present-Biased" (joint with Florian Englmaier and Matthias Fahn), EEA, Mannheim	August 26
<b>A5 (Krähler/Schweizer)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Urs Schweizer	"Efficient Incentives from Compensation Law and the Compensation Principle", EALE 2015	September 17-19
<b>A7 (Strausz/Wolfstetter)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Dongyu Guo	"Mergers with structural remedies in a Cournot oligopoly" presented at "XXX Jornadas de Economía Industrial" in Alicante, Spain	September 3-4
Martin Pollrich	"Mediated Audits", World Congress of the Econometric Society, Montréal	August 17
Martin Pollrich	"Mediated Audits", EARIE, Munich	August 29
<b>A8 (Rady)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Mirjam Salish (geb. Wuggenig)	"Learning faster or more precisely? Strategic experimentation in networks", annual conference of the Verein für Socialpolitik, Münster	September 9
Mirjam Salish (geb. Wuggenig)	"Learning faster or more precisely? Strategic experimentation in networks", EDP Jamboree, London	September 14
Sven Rady	"Strongly Symmetric Equilibria in Bandit Games", University of Exeter	October 13
Sven Rady	"Strongly Symmetric Equilibria in Bandit Games", Queen Mary University London	October 15
Sven Rady	"Strongly Symmetric Equilibria in Bandit Games", University of Oxford	October 16

<b>A9 (Corneo)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Guido Neidhöfer	"Intergenerational mobility and the rise and fall of inequality: Lessons from Latin America", 4th Potsdam PhD Workshop in Empirical Economics	September 21-24
<b>B5 (Eckel/Schnitzer)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Gumpert, Anna	"The organization of knowledge in multinational firms", World Congress of the Econometric Society, Montreal	August 18
Gumpert, Anna	"The organization of knowledge in multinational firms", European Economic Association, Mannheim	August 26
Gumpert, Anna	"The organization of knowledge in multinational firms", Trade Lunch, Yale University	September 15
Nagler, Markus	"Weak Markets, Strong Teachers: Recession at Career Start and Teacher Effectiveness" (with Marc Piopiunik and Martin R. West), World Congress of the Econometric Society, Montreal	August 18
Nagler, Markus	"Weak Markets, Strong Teachers: Recession at Career Start and Teacher Effectiveness" (with Marc Piopiunik and Martin R. West), annual congress of the European Economic Association, Mannheim	August 25
Nagler, Markus	"Weak Markets, Strong Teachers: Recession at Career Start and Teacher Effectiveness" (with Marc Piopiunik and Martin R. West), annual conference of the Verein für Socialpolitik, Münster	September 8
<b>B7 (Marin)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Jan Schymik	"Executive Compensation and the Global Division of Labor", 42nd EARIE Annual Conference, Munich	August 29
<b>C2 (Harhoff/Peitz)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Dietmar Harhoff Sebastian Stoll	"Deferred Patent Examination", 42nd EARIE Annual Conference, Munich	August 28-30
Dietmar Harhoff Sebastian Stoll	"Deferred Patent Examination", EPIP, Glasgow	September 2-3
Dietmar Harhoff Sebastian Stoll	"Exploring the Opacity of the Patent System – Evidence from a Natural Experiment", annual conference of the Verein für Socialpolitik, Münster	September 6-9

<b>C6 (Stahl)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Konrad Stahl	Visit to EIEF, Rome, cooperation with Giacomo Calzolari, Leonardo Felli and Giancarlo Spagnolo on "Trust, Innovation and Competition"	May 4-7
Konrad Stahl	Visit to Copenhagen, talks at University of Copenhagen on "Market Transparency, Adverse Selection and Moral Hazard" and Copenhagen Business School on "Trust, Innovation and Competition".	May 26-29
Konrad Stahl	participation in the MaCCI Summer Institute on Competition Policy, Schloss Gracht	June 24-26
Konrad Stahl	participation in ESSET, Gerzensee, talk on "Market Transparency, Adverse Selection and Moral Hazard"	June 29-July 10
Konrad Stahl	organization of, and participation in the 6th Summer School of SFB-TR 15 Bronnbach, on "Empirical Analysis of Markets with Asymmetric Information", taught by Liran Einav, Stanford University	August 1-7
<b>C5 (Nocke)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Nicolas Schutz	Presentation of "Information and Price Dispersion: Theory and Evidence" (joint with Dieter Pennerstorfer, Philipp Schmidt-Dengler, Christoph Weiss and Biliana Yontcheva) at EEA 2015, Mannheim	August 24
Nicolas Schutz	presentation of "Merger Policy in a Quantitative Model of International Trade" (joint with Holger Breinlich and Volker Nocke) at EARIE 2015, Munich (Invited session on Merger Policy)	August 30
Andras Niedermayer	Research visit at Concordia University, Montreal, cooperation with Artyom Shneyerov and Isis Durrmeyer on "Competitive Non-Linear Pricing"	August 3-14
Andras Niedermayer	Participation at the Econometric Society World Congress, in Montreal presentation: "Foreclosure Auctions" with Artyom Shneyerov and Pai Xu	August 17-21
Andras Niedermayer	Participation at the EEA, 2015, Mannheim, presentation: "Foreclosure Auctions" with Artyom Shneyerov and Pai Xu	August 24-28
<b>C8 (Falk)</b>		
<b>Name</b>	<b>Topic</b>	<b>Dates</b>
Armin Falk	"Morality: An Economics Perspective", Spring School in Behavioral Economics, San Diego	March 11
Armin Falk	"Patience and the Wealth of Nations", CalTech BSN Seminar, Los Angeles	March 19
Armin Falk	"Malleability of Moral Behavior", Neuroeconomics Colloquium at NYU, New York	March 24
Armin Falk	"Patience and The Wealth of Nations", CEU Budapest	April 27
Armin Falk	"Malleability of Moral Behavior", The 3rd Toulouse Economics and Biology Workshop "Evolution and Morality", Toulouse	June 5
Armin Falk	"Malleability of Moral Behavior", Self-deception, Self-signaling, and Self-control workshop, Toulouse	June 22
Armin Falk	"Malleability of Moral Behavior", 14th TIBER Symposium on Psychology and Economics, Tilburg, Netherlands	August 27

Armin Falk	"Ancient origins of risk preferences on a global scale, Endogenous Preferences and the Broader Effects of Competition, Amsterdam	September 2
Hannah Schildberg-Hörisch	"Reducing overconfidence" (with Armin Falk and Fabian Kosse), EEA, Mannheim	August 26
Hannah Schildberg-Hörisch	"Choosing the right challenge" (with Armin Falk and Fabian Kosse, Workshop Behavioral Public Economics, Wien	September 10-11
Hannah Schildberg-Hörisch	"Choosing the right challenge" (with Armin Falk and Fabian Kosse, Forschungskolloquium Universität Potsdam	October 11

## New Discussion Papers

### A1 (Bester/Tröger)

Name	Title	Number
Karl H. Schlag, Péter Vida	<p>Believing when Credible: Talking about Future Plans and Past Actions</p> <p>Abstract: We explore in an equilibrium framework whether games with multiple Nash equilibria are easier to play when players can communicate. We consider two variants, modelling talk about future plans and talk about past actions. The language from which messages are chosen is endogenous, messages are allowed to be vague. We focus on equilibria where messages are believed whenever possible, thereby develop a theory of credible communication. Predictions confirm the longstanding intuition for Aumann's (1990) Stag Hunt game which applies directly to an investment game with positive spillovers. Our results shed new light on the multiplicity of equilibria in economic applications.</p> <p><i>Keywords:</i> Pre-Play Communication, Cheap Talk, Credibility, Coordination, Language, Multiple Equilibria <i>JEL Codes:</i> C72, D83</p>	517
Helmuts Azacis, Péter Vida	<p>Repeated Implementation</p> <p>Abstract: We prove that a social choice function is repeatedly implementable if and only if it is dynamically monotonic when the number of agents is at least three. We show how to test dynamic monotonicity by building an associated repeated game. It follows that a weaker version of Maskin monotonicity is necessary and sufficient among the social choice functions that are efficient. As an application, we show that utilitarian social choice functions, which can only be one-shot implemented with side-payments, are repeatedly implementable, as continuation payoffs can play the role of transfers. Under some additional assumptions, our results also apply when the number of agents is two.</p> <p><i>Keywords:</i> Mechanism Design, Dynamic Monotonicity, Efficiency, Repeated Implementation, Repeated Games, Approximation of the Equilibrium Set, Sufficient and Necessary Condition <i>JEL Codes:</i> C73, D71</p>	518

Malin Arvey, Takakazu Honryo	<p>Delegation and Communication</p> <p>Abstract: This paper analyzes delegation and joint decision making in an environment with private information and partially aligned preferences. We compare the benefits of these two decision making procedures as well as the interaction between them. We give a condition under which delegation is preferred to ex post joint decision making and we show how the interaction between delegation and ex post joint decision making always crowds out delegation. Finally, we analyze how the availability of the principal at the communication stage affects our results.</p> <p><i>JEL Codes:</i> D23, D82, L23</p>	524
<b>A8 (Rady)</b>		
Name	Title	Number
Godfrey Keller, Sven Rady	<p>Undiscounted Bandit Games</p> <p>Abstract: We analyze continuous-time games of strategic experimentation with two-armed bandits when there is no discounting. We show that for all specifications of prior beliefs and payoff-generating processes that satisfy some separability condition, the unique symmetric Markov perfect equilibrium can be computed in a simple closed form involving only the expected current payoff of the risky arm and the expected full-information payoff, given current information. The separability condition holds in a variety of models that have been explored in the literature, all of which assume that the risky arm's expected payoff per unit of time is time-invariant and actual payoffs are generated by a process with independent and stationary increments. The separability condition does not hold when the expected payoff per unit of time is subject to state-switching.</p> <p><i>Keywords:</i> Strategic Experimentation, Two-Armed Bandit, Markov-Perfect Equilibrium <i>JEL Codes:</i> C73, D83</p>	520

**A9 (Corneo)**

Name	Title	Number
Giacomo Corneo, Frank Neher	<p data-bbox="521 351 1062 383">Democratic Redistribution and Rule of the Majority</p> <p data-bbox="521 409 619 434">Abstract:</p> <p data-bbox="521 439 1171 763">Does redistribution in democracies cater to the will of the majority? We propose a direct empirical strategy based on survey data that needs not assume that voters are guided by pecuniary motives alone. We find that most democracies implement the median voter's preferred amount of redistribution and the probability to serve the median voter increases with the quality of democracy. However, there is a non-negligible share of democracies that implement a minority-backed amount of redistribution. Political absenteeism of the poor cannot explain such outcomes. Rather, they can be explained by the electoral bundling of redistribution with values and rights issues.</p> <p data-bbox="521 790 1171 864"><i>Keywords:</i> Redistribution, Democracy, Median-Voter Theorem, Inequality <i>JEL Codes:</i> D30, D70, H10, P16</p>	514

**B5 (Eckel/Schnitzer)**

Name	Title	Number
Markus Nagler, Marc Piopiunik, Martin R. West	<p data-bbox="521 996 1171 1055">Weak Markets, Strong Teachers: Recession at Career Start and Teacher Effectiveness</p> <p data-bbox="521 1081 619 1106">Abstract:</p> <p data-bbox="521 1111 1171 1435">How do alternative job opportunities affect teacher quality? We provide the first causal evidence on this question by exploiting business cycle conditions at career start as a source of exogenous variation in the outside options of potential teachers. Unlike prior research, we directly assess teacher quality with value-added measures of impacts on student test scores, using administrative data on 33,000 teachers in Florida public schools. Consistent with a Roy model of occupational choice, teachers entering the profession during recessions are significantly more effective in raising student test scores. Results are supported by placebo tests and not driven by differential attrition.</p> <p data-bbox="521 1462 1171 1536"><i>Keywords:</i> Teacher Value-Added, Talent Allocation, Business Cycle, Roy Model <i>JEL Codes:</i> E32, H75, I20, J24</p>	513



**B7 (Marin)**

Name	Title	Number
Jan Schymik	<p>Trade, Technologies, and the Evolution of Corporate Governance</p> <p>Abstract: Do international trade and technological change influence how firms create incentives for human capital? I present a model that incorporates agency problems into a framework with firm heterogeneity and human capital. My model indicates that trade liberalizations and skill-biased technological change alter the way how the largest firms in an economy incentivize their managers. Increases in managerial reservation wages lead to a reduction in corporate governance investments and a rise in performance compensation since monitoring managers becomes less efficient. Using data on CEO compensation and entrenchment opportunities in public industrial firms in the U.S., I document strong empirical regularities in support of the model predictions. Firms allow for more managerial entrenchment and offer larger CEO compensation when their industries become more open to trade or when production becomes more I.T. intensive.</p> <p><i>Keywords:</i> International Trade and Firm Organization, Agency Problems in International Trade, Endogenous Managerial Entrenchment, Corporate Governance and CEO Compensation <i>JEL Codes:</i> F1, F16, G34, J33, L22, O33</p>	525

**C2 (Harhoff)**

Name	Title	Number
Dietmar Harhoff, Karin Hoisl, Bruno van Pottelsbergh de la Potterie, Charlotte Vandeput	<p>Languages, Fees and the International Scope of Patenting</p> <p>Abstract: This paper analyzes firms' choices regarding the geographic scope of patent protection within the European patent system. We develop an econometric model at the patent level to quantify the impact of office fees and translation costs on firms' decision to validate a patent in a particular country once it has been granted by the EPO. These costs have been disregarded in previous studies. The results suggest that both translation costs and fees for validation and renewals have a strong influence on the behavior of applicants.</p> <p><i>Keywords:</i> Patents, Patent Fees, Patent Validation, Renewal Fees, Translation Costs <i>JEL Codes:</i> O30, O31, O38, O57</p>	511

C5 (Nocke)		
Name	Title	Number
Holger Breinlich, Volker Nocke, Nicolas Schutz	<p>Merger Policy in a Quantitative Model of International Trade</p> <p>Abstract: In a two-country international trade model with oligopolistic competition, we study the conditions on market structure and trade costs under which a merger policy designed to benefit domestic consumers is too tough or too lenient from the viewpoint of the foreign country. Calibrating the model to match industry-level data in the U.S. and Canada, we show that at present levels of trade costs merger policy is too tough in the vast majority of sectors. We also quantify the resulting externalities and study the impact of different regimes of coordinating merger policies at varying levels of trade costs.</p> <p><i>Keywords:</i> Mergers and Acquisitions, Merger Policy, Trade Policy, Oligopoly, International Trade <i>JEL Codes:</i> F12, F13, L13, L44</p>	519
Petra Loerke, Andreas Niedermayer	<p>Crises and Rating Agencies: On the Effect of Aggregate Uncertainty on Rating Agencies' Incentives to Distort Ratings</p> <p>Abstract: We analyze a rating agency's incentives to distort ratings in a model with a monopolistic profit maximizing rating agency, a continuum of heterogeneous firms, and a competitive market of risk-neutral investors. Firms sell bonds, the value of a firm's bond is known to the firm and observable by the agency, but not by buyers. Firms can choose to get a rating. The rating agency can reveal a signal of arbitrary precision about the quality of the bond. In contrast to the existing literature, we allow aggregate uncertainty. As in the existing literature, one rating class is optimal. However, the rating agency does not choose a socially optimal cutoff: the agency is more likely to be too lenient if the distribution of aggregate uncertainty has a lower mean, a higher variance, and is more left skewed. It is more likely to be too strict if the opposite holds.</p> <p><i>Keywords:</i> Rating Agencies, Certification, Aggregate Uncertainty <i>JEL Codes:</i> C72, D42, D82, G20</p>	521

<p>Andreas Niedermayer, Artyom Shneyerov, Pia Xu</p>	<p>Foreclosure Auctions</p> <p>Abstract: We develop a novel theory of real estate foreclosure auctions, which have the special feature that the lender acts as a seller for low and as a buyer for high prices. The theory yields several empirically testable predictions concerning the strategic behavior of the agents, both under symmetric and asymmetric information. Using novel data from Palm Beach County (FL, US), we find evidence of both strategic behavior and asymmetric information, with the lender being the informed party. Moreover, the data are consistent with moral hazard in mortgage securitization: banks collect less information about the value of the mortgage collateral.</p> <p><i>Keywords:</i> Foreclosure Auctions, Asymmetric Information, Bunching, Discontinuous Strategies, Securitization <i>JEL Codes:</i> C72, D44, D82, G21</p>	<p>522</p>
<p>Andreas Niedermayer</p>	<p>Does a Platform Monopolist Want Competition?</p> <p>Abstract: We consider a software vendor first selling a monopoly platform and then an application running on this platform. He may face competition by an entrant in the applications market. The platform monopolist can benefit from competition for three reasons. First, his profits from the platform increase. Second, competition serves as a credible commitment to lower prices for applications. Third, higher expected product variety may lead to higher demand for his application. Results carry over to non-software platforms and, partially, to upstream and downstream firms. The model also explains why Microsoft Office is priced significantly higher than Microsoft's operating system.</p> <p><i>Keywords:</i> Platforms, Entry, Complementary Goods, Price Commitment, Product Variety, Microsoft, Vertical Integration, Two-Sided Markets <i>JEL Codes:</i> D41, D43, L13, L86</p>	<p>523</p>

**C6 (Peitz/Stahl)**

Name	Title	Number
Stefan Weiergräber	<p>Network Effects and Switching Costs in the US Wireless Industry</p> <p>Abstract: I develop an empirical framework to disentangle different sources of consumer inertia in the US wireless industry. The use of a detailed data set allows me to identify preference heterogeneity from consumer type-specific market shares and switching costs from churn rates. Identification of a localized network effect comes from comparing the dynamics of distinct local markets. The central condition for identification is that neither the characteristics defining consumer heterogeneity nor the characteristics defining reference groups are a (weak) subset of the other. Being able to separate switching costs and network effects is important as both can lead to inefficient consumer inertia, but depending on its sources policy implications may be very different. Estimates of switching costs range from US-\$ 316 to US-\$ 630. The willingness to pay for a 20%-point increase in an operator's market share is on average US-\$ 22 per month. My counterfactuals illustrate that both effects are important determinants of consumers' price elasticities potentially translating into market power that helps large carriers in defending their dominant position.</p>	512

**C8 (Falk)**

Name	Title	Number
Steffen Altmann, Armin Falk, Paul Heidhues, Rajshri Jayaraman	<p>Defaults and Donations: Evidence from a Field Experiment</p> <p>Abstract: We study how website defaults affect consumer behavior in the domain of charitable giving. In a field experiment that was conducted on a large platform for making charitable donations over the web, we exogenously vary the default options in two distinct choice dimensions. The first pertains to the primary donation decision, namely, how much to contribute to the charitable cause. The second relates to an "add-on" decision of how much to contribute to supporting the online platform itself. We find a strong impact of defaults on individual behavior: in each of our treatments, the modal positive contributions in both choice dimensions invariably correspond to the specified default amounts. Defaults, nevertheless, have no impact on aggregate donations. This is because defaults in the donation domain induce some people to donate more and others to donate less than they otherwise would have. In contrast, higher defaults in the secondary choice dimension unambiguously induce higher contributions to the online platform.</p> <p><i>Keywords:</i> Default Options, Online Platforms, Charitable Giving, Field Experiment <i>JEL Codes:</i> C93, D03, D64</p>	515

<p>Steffen Altmann, Armin Falk, Andreas Grunewald</p>	<p>Incentives and Information as Driving Forces of Default Effects</p> <p>Abstract: The behavioral relevance of non-binding defaults is well established. While most research has focused on decision makers' responses to a given default, we argue that this individual decision making perspective is incomplete. Instead, a comprehensive understanding of default effects requires to take account of the strategic interaction between default setters and decision makers. We analyze theoretically and empirically which defaults emerge in such interactions, and under which conditions defaults are behaviorally most relevant. Our analysis demonstrates that the alignment of interests between default setters and decision makers, as well as their relative level of information are key drivers of default effects. In particular, default effects are more pronounced if the interests of the default setter and decision makers are more closely aligned. Moreover, decision makers are more likely to follow default options the less they are privately informed about the relevant decision environment.</p> <p><i>Keywords:</i> Default Options, Behavioral Economics, Strategic Communication, Laboratory Experiment <i>JEL Codes:</i> D03, D18, D83, C92</p>	516
<p>Eberhard Feess, Hannah Schildberg-Hörisch, Markus Schramm, Ansgar Wohlschlegel</p>	<p>The impact of fine size and uncertainty on punishment and deterrence: Theory and evidence from the laboratory</p> <p>Abstract: We develop a theoretical model to identify and compare partial and equilibrium effects of uncertainty and the magnitude of fines on punishment and deterrence. Partial effects are effects on potential violators' and punishers' decisions when the other side's behavior is exogenously given. Equilibrium effects account for the interdependency of these decisions. This interdependency is important since, in the case of legal uncertainty, higher fines may reduce the willingness to punish, which in turn reduces the deterrence effect of high fines. Using a laboratory experiment, we identify these effects empirically by means of a strategy-method design in which potential violators can condition their behavior on the behavior of potential punishers and vice versa. All our experimental findings on both partial and equilibrium effects are in line with the hypotheses derived from the theory.</p> <p><i>Keywords:</i> Deterrence, Punishment, Uncertainty, Fines, Partial and Equilibrium Effects, Lab Experiment <i>JEL Codes:</i> K12, K42, C91, D64</p>	526

## Publications

A4 (Schmidt)		
Name	Topic	Dates
<p>Iris Kesternich., Joachim Winter, Heiner Schumacher</p>	<p>"Professional norms and physician behavior: Homo Oeconomicus or Homo Hippocraticus?", Journal of Public Economics</p>	2015

**A8 (Rady)**

Name	Topic	Dates
Paul Heidhues, Sven Rady, Philip Strack	"Strategic Experimentation with Private Payoffs", Journal of Economic Theory	2015, vol. 159, 531-551

**B7 (Marin)**

Name	Topic	Dates
Dalia Marin	"The Theory of the Firm goes Global", in Philippe Aghion, Mathias Dewatripont, Patrick Legros, and Luigi Zingales (eds.): The Impact of Incomplete Contracts on Economics, Oxford University Press	2015
Dalia Marin	"Corporate Hierarchies and International Trade: Theory and Evidence" (with Thierry Verdier), Journal of International Economics, Vol. 94 (2), 295-310.	2014
Dalia Marin	"What Explains the Rise in Executive Pay in Germany? A Panel Data Analysis for 1977 – 2009" (with Francesca Fabbri), Scandinavian Journal of Economics	forthcoming

**C6 (Stahl)**

Name	Topic	Dates
Konrad Stahl	Market Transparency, Adverse Selection and Moral Hazard, Journal of Political Economy (with Tobias Klein and Christian Lambertz)	2015

**C8 (Falk)**

Name	Topic	Dates
Armin Falk (joint with Nora Szech)	Institutions and Morals: A Reply, European Journal of Political Economy	forthcoming
Armin Falk (joint with Florian Zimmermann)	Consistency as a Signal of Skills, Management Science Journal	forthcoming
Armin Falk (joint with Thomas Dohmen, Bart Golsteyn, David Huffman, Uwe Sunde)	Risk Attitudes Across the Life Course, Economic Journal	forthcoming
Matthias Wibral	Identity changes and the efficiency of reputation systems, Experimental Economics	2015, vol. 18, 408-431

## Miscellaneous

B7 (Marin)		
Name	Topic	Dates
Dalia Marin	wrote a column for Project Syndicate titled "The Secret of Germany's Success"	September 2014
Dalia Marin	wrote a column for Project Syndicate titled "Education in the Second Machine Age"	November 2014
Dalia Marin	wrote a column on VoxEU about "Globalization and the Rise of Robots"	November 2014
Dalia Marin	wrote a column in the F.A.Z. titled "Die brillanten Roboter kommen!"	November 21, 2014
Dalia Marin	wrote a column in the F.A.Z. titled "Das Produktivitäts-Rätsel"	June 6, 2015
Dalia Marin	wrote a column in the ZEIT titled "Organisation ist alles: Die Erfolge der deutschen Exportwirtschaft"	August 27, 2015

## New/Leaving Staff

A5 (Krähmer/Schweizer)		
Name	Topic	Dates
Stefan Terstiege	Left the SFB TR 15 project	September 2015

  

B7 (Marin)		
Name	Topic	Dates
Alexander Tarasov	left project B7 and joined the Higher School of Economics in Moscow	August 2015

  

C8 (Falk)		
Name	Topic	Dates
Matthias Wibrat	Left the SFB TR 15 project left and the University of Bonn to join Maastricht University as an associate professor	September 2015

## Visitors

B7 (Marin)		
Name	Speaker (Institution)	Date
Stefania Garetto (BU)	visits project B7 to give a presentation in the Munich International Economics Seminar	October 12

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](mailto:sfb-tr15@vwl.lmu.de),