

**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. 11

November 2009

SFB/TR 15 Seminars

Berlin		
Date	Speaker (Institution)	Title
October 26	Igor Sloev, HU Berlin	"The Separation Game: Equilibrium Structure under Decreasing Economy of Scale"
November 2	Robert Schmidt, HU Berlin	"Carbon leakage: How temporary grandfathering can permanently avert relocation"
November 9	Volodymyr Bilotkach, University of California	"Refundable Advance Purchase Tickets and Advance Purchase Restrictions under Aggregate Demand Uncertainty"
November 16	Klaus Ritzberger, Vienna Graduate School of Finance	"A General Equilibrium Analysis of Corporate Control and the Stock Market"
November 23	Susanne Ohlendorf, Bonn Graduate School of Economics	tba
November 30	Françoise Forges, Université Paris-Dauphine	"Core-stable bidding rings"
Mannheim		
Date	Speaker (Institution)	Title
September 8	Simon Loertscher, University of Melbourne	"Information Transmission in Electoral Competition"
September 15	Itai Agur, Dutch Central Bank	"Regulatory Competition and Bank Risk Taking"
September 22	Andras Niedermayer, University of Mannheim	"Career Concerns and Career Choice"
September 29	Gregor Zöttl, University of Munich	"A Framework of Peak Load Pricing with Strategic Firms"
October 6	Lotta Väänänen, University of Mannheim	"Education and Invention"
October 13	Sebastian Köhne, University of Mannheim	"First-Order Approach to Moral Hazard Problems with Hidden Saving"
October 20	Jeanne Hagenbach, University of Mannheim	"Strategic Communication Networks"
October 27	Florian Wilken, University of Heidelberg	"The Impact of Strategic Buying to Sustain Seller Competition"
Munich		
Date	Speaker (Institution)	Title
October 16	Petra Nieken, University of Bonn	"Risk Taking in Winner-Take-All Competition"

November 2	Dirk Engelmann, Royal Holloway University London	"Does a Buyer Benefit from Bad Reputation? - Theory and Experiments on Auctions with Default"
November 3	Kai Konrad, MPI Berlin	tba
November 9	Salvatore Piccolo, University of Naples	tba
November 10	Ignacio Palacios-Huerta, London School of Economics	tba
November 16	Jordi Blanes-i-Vidal, London School of Economics	tba
November 23	Hamish Low, University of Cambridge	tba
November 24	Patrick Legros, Economics at Université Libre de Bruxelles	tba
November 30	Christoph Stöckle, LMU München	tba

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

A1 (Bester/Strausz)

Name	Topic	Dates
Roland Strausz	Regulatory Risk, UCL (London), Great Britain	October 6
Johannes Münster	Information sharing in contests, University of Edinburgh, School of Economics, Great Britain	October 12
Johannes Münster	Young Researchers Workshop on Contests and Tournaments, Magdeburg (talk: "Information sharing in contests")	October 30

A4 (Rady/Schmidt)

Name	Topic	Dates
Klaus Schmidt	Social Preferences and Competition, JMCB Conference Dialogue between Micro and Macroeconomics at Gerzensee, Switzerland	October 23 - 24
Stefan Vetter	Fairness and Cheating, 4th Nordic Conference on Behavioral and Experimental Economics, Norway	October 30 - 31
Klaus Schmidt	Reputation and Contract Design, University of Warwick, United Kingdom	November 4
Christina Strassmaier	Can intentions spoil the kindness of a gift? — An experimental study, Brown Bag Lunch Seminar, Austria	November 26

A5 (Schweizer/von Hagen)

Name	Topic	Dates
Klaas Staal	CPB [Netherlands Bureau for Economic Policy Analysis], The Hague, Netherlands (talk: "Size, Spillovers and Soft Budget Constraints")	September 8
Urs Schweizer	University of St. Gallen, Switzerland (talk: "Damages for Breach of Duty in Corporate Disclosure")	October 1
Klaas Staal	68th International Atlantic Economic Conference, Boston, USA (talk: "Size, Spillovers and Soft Budget Constraints")	October 8 - 11

A7 (Wolfstetter)

Name	Topic	Dates
Cédric Wasser	Annual Meeting of the Swiss Society of Economics and Statistics, Geneva, Switzerland (talk: "Signaling in Auctions among Competitors")	June 26 - 27
Cédric Wasser	Young Researchers Workshop on Contests and Tournaments, Magdeburg (talk: "Rent-Seeking under Symmetric and Asymmetric Information")	October 30 - 31
Cédric Wasser	4th End-Of-Year Conference of Swiss Economists Abroad, Basel, Switzerland (talk: "Rent-Seeking under Symmetric and Asymmetric Information")	December 21

A8 (Heidhues/Rady)

Name	Topic	Dates
Nicolas Klein	Free-Riding & Delegation in Research Teams -- A Three-Armed Bandit Problem, Yale University, USA	October 27
Sven Rady	Strategic Experimentation with Poisson Bandits (joint with Godfrey Keller, Oxford), University of Mainz, Germany	November 2

B3 (Hellwig)

Name	Topic	Dates
Jos Jansen	36th Conference of the European Association for Research in Industrial Economics (EARIE), Ljubljana, Slovenia (talk: "Competition Policy towards the Disclosure of Acquired Demand Information in Duopoly")	September 3 - 5
Jos Jansen	International Conference on Competition Policy and Property Rights, Milan, Italy (talk: "On Competition and the Strategic Management of Intellectual Property in Oligopoly")	September 15 - 16
Jos Jansen	24th Jornadas de Economía Industrial, Vigo, Spain (talk: "Too Much Information Sharing? Welfare Effects of Disclosing Acquired Cost Information")	September 24 - 25

B4 (Kräkel)

Name	Topic	Dates
Petra Nieken	X. Symposium zur ökonomischen Analyse der Unternehmung, Valendar (talk: "On the Choice of Risk and Effort in Tournaments - Experimental Evidence")	September 30 - October 2
Matthias Kräkel	Competitive Careers as a Way to Mediocracy, University of Hannover, Germany	October 19

B6 (Maug)

Name	Topic	Dates
Christoph Schneider	DGF - Annual Meeting, Frankfurt (talk: "Stealth Trading of Corporate Insiders")	October 9

C2 (Harhoff/Stahl)

Name	Topic	Dates
Carolin Häussler	X. Symposium zur ökonomischen Analyse der Unternehmung, Vallendar (talk: "Information Sharing in academia and the industry: A comparative study")	September 30 - October 2

Carolin Häussler	7. MC-Health-Tagung, Munich (talk: "Sharing of Material in academia and the industry: A comparative study in the bio-sciences")	October 5
Dietmar Harhoff	Research Area Management, Fakultät für Betriebswirtschaft, Universität Mannheim (talk: "Invention Processes and Knowledge Recombination across Technological Boundaries")	October 27
Carolin Häussler	G-Forum, Leipzig (talk: "To be financed or not — The role of patents for VC financing")	October 28 - 30
Carolin Häussler	TIM-Conference, Aachen (talk: "Information Sharing in Academia and Industry: A comparative Study")	November 3 - 5
Karin Hoisl	Jahrestagung der Wissenschaftlichen Kommission Technologie- und Innovationsmanagement (WK-TIM), WK-TIM (talk: "Invention Processes and Knowledge Recombination across Technological Boundaries")	November 5 - 6
C5 (Kamecke/Röller)		
Name	Topic	Dates
Tomaso Duso	3rd Conference of the Research Network on Innovation and Competition Policy, Vienna, Austria (talk: "Do Research Joint Ventures Networks lead to Product Market Collusions?")	October 29 - 31

Publications

B4 (Kräkel)		
Name	Topic	Dates
Matthias Kräkel (joint with Michael Beckmann (NA), Silvia Föhr (NA))	"Rent Seeking, Employment Security and Works Councils: Theory and Evidence for Germany", Schmalenbach Business Review	forthcoming
C5 (Kamecke/Röller)		
Name	Topic	Dates
Tomaso Duso (joint with Jo Seldeslachts (NA))	"The Political Economy of Mobile Telecommunications Liberalization: Evidence from the OECD Countries", Journal of Comparative Economics, Publisher: Elsevier	forthcoming
C8 (Falk/Heidhues)		
Name	Topic	Dates
Hannah Hörisch (joint with Oliver Kirchkamp (NA))	"Less fighting than expected - Experiments with wars of attrition and all-pay auctions", Public Choice	Forthcoming
Name	Topic	Dates
Armin Falk (joint with J. J. Heckman)	Lab Experiments Are a Major Source of Knowledge in the Social Sciences Armin Falk and James J. Heckman Science, 535-538.	October 23

Dissertations and Habilitations

B6 (Maug)		
Name	Topic	Dates
Christoph Schneider	Essays on Empirical Corporate Governance	October 5

New/Leaving Staff

A2 (Konrad)		
Name	Topic	Dates
Florian Morath	Joins project A2, GA, IA, full time, florian.morath@ip.mpg.de	October/November
A3 (Moldovanu)		
Name	Topic	Dates
Frank Rosar	Joins project A3, EA, full time, email@frankrosar.de	October/November
C6 (Peitz/Stahl)		
Name	Topic	Dates
Johannes Koenen	Joins project C6, GA, full time, johannes.koenen@gmail.com	October/November
C9 (von Thadden)		
Name	Topic	Dates
Andras Niedermayer	Joins project C9, EA, IA, full time and has been elected as a member of the SFB board, aniederm@rumms.uni-mannheim.de	October/November

Visitors

B3 (Hellwig)		
Name	Topic	Dates
Rune Stenbacka	Hanken School of Economics (Finland)	October 7 - 9
Matthias Lang	University of Bonn (Germany)	October 21 - December 31
C2 (Harhoff/Stahl)		
Name	Topic	Dates
Matthew Higgins	Georgia Institute of Technology (U.S.A.), Topic: "Contracting in Strategic Alliances: Ex ante Preferences for Control Rights"	August 27 - 31

C5 (Kamecke/Röller)

Name	Topic	Dates
Anming Zhang	Sauder School of Business (Canada), Topic: "Vertical markets"	October 9 – 20

New Discussion Papers**A1 (Bester/Strausz)**

Name	Title	Number
Tobias Langenberg (A1)	Product Durability in Markets with Consumer Lock-in Abstract: This paper examines a two-period duopoly where consumers are locked-in by switching costs that they face in the second period. The paper's main focus is on the question of how the consumer lock-in affects the firms' choice of product durability. We show that firms may face a prisoners' dilemma situation in that they simultaneously choose non-durable products although they would have higher profits by producing durables. From a social welfare perspective, firms may even choose an inefficiently high level of product durability. JEL Classification Numbers: L13, D21	279

A5 (Schweizer/von Hagen)

Name	Title	Number
Susanne Ohlendorf (A5), Patrick Schmitz (NA)	Signaling an Outside Option Abstract: We consider the case of an upstream seller who works to improve an asset that has been specialized to a downstream buyer's needs. The buyer then makes a take it or leave it offer to the seller about how the future surplus should be split. We assume that the seller from the outset has private information about the fraction of the surplus that he can realize on his own, and show that this leads to higher investment compared to the complete information case. This positive effect on investment is countervailed by the occurrence of inefficient separations, which result when the buyer mistakenly tries to call the seller's bluff with a low offer. JEL-Classification: D23, D82	281

Alexander Stremitzer (A5), Daniel Göller (NA)	Breach Remedies Including Hybrid Investments Abstract: We show that parties in bilateral trade can rely on the default common law breach remedy of 'expectation damages' to induce simultaneously first-best relationship-specific investments of both the selfish and the cooperative kind. This can be achieved by writing a contract that specifies a sufficiently high quality level. In contrast, the result by Che and Chung (1999) that 'reliance damages' induce the first best in a setting of purely cooperative investments, does not generalize to the hybrid case. We also show that if the quality specified in the contract is too low, 'expectation damages' do not necessarily induce the ex-post efficient trade decision in the presence of cooperative investments. JEL-Classification: K12, L22, J41, C70.	282
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B5 (Marin/Schnitzer)

Name	Title	Number
Iris Kesternich (B5), Heiner Schumacher (NA)	On the Use of Information in Repeated Insurance Markets Abstract: We analyze the use of information in a repeated oligopolistic insurance market. To sustain collusion, insurance companies might refrain from changing their pricing schedules even if new information about risks becomes available. We therefore provide an explanation for the existence of "unused observables" that is information which a) insurance companies collect or could collect, b) is correlated with the risk experience, but c) is not used by companies to set prices. Furthermore, the existence of bulk discounts becomes rationalizable. These results also obtain if we include communication among companies and market entry to our framework. JEL Classification: C72, G22, L13	280

C5 (Kamecke/Röller)

Name	Title	Number
Paolo Buccirossi (joint with Lorenzo Ciari (NA), Tomaso Duso (C5), Giancarlo Spagnolo (NA), Cristiana Vitale (NA))	Competition Policy and Productivity Growth: An Empirical Assessment, WZB Discussion Papers, Abstract: This paper empirically investigates the effectiveness of competition policy by estimating its impact on Total Factor Productivity (TFP) growth for 22 industries in 12 OECD countries over the period 1995-2005. We find a robust positive and significant effect of competition policy as measured by newly created indexes. We provide several arguments and results based on instrumental variables estimators as well as non-linearities to support the claim that the established link can be interpreted in a causal way. At a disaggregated level, the effect on TFP growth is particularly strong for specific aspects of competition policy related to its institutional set up and antitrust activities (rather than merger control). The effect is strengthened by good legal systems, suggesting complementarities between competition policy and the efficiency of law enforcement institutions. JEL classification: L4, K21, O4, C23	283
Paolo Buccirossi (joint with Lorenzo Ciari (NA), Tomaso Duso (C5), Giancarlo Spagnolo (NA), Cristiana Vitale (NA))	Measuring the deterrence properties of competition policy: the Competition Policy Indexes, WZB Discussion Papers, Abstract: The aim of this paper is to describe in detail a set of newly developed indicators of the quality of competition policy, Competition Policy Indexes, or CPIs. The CPIs measure the deterrence properties of a competition policy in a jurisdiction, where for competition policy we mean the antitrust legislation, including the merger control provisions, and its enforcement. The CPIs incorporate data on how the key features of a competition policy regime score against a benchmark of generally-agreed best practices and summarise them so as to allow cross-country and cross-time comparisons. The CPIs have been calculated for a sample of 13 OECD jurisdictions over the period 1995-2005. JEL classification: K21, K42, L40	284
Paolo Buccirossi (joint with Lorenzo Ciari (NA), Tomaso Duso (C5), Giancarlo Spagnolo (NA), Cristiana Vitale (NA))	Deterrence in Competition Law, WZB Discussion Papers, Abstract: This paper provides a comprehensive discussion of the deterrence properties of a competition policy regime. On the basis of the economic theory of law enforcement we identify several factors that are likely to affect its degree of deterrence: 1) sanctions and damages; 2) financial and human resources; 3) powers during the investigation; 4) quality of the law; 5) independence; and 6) separation of power. We then discuss how to measure deterrence. We review the literature that use surveys to solicit direct information on changes in the behavior of firms due to the threats posed by the enforcement of antitrust rules, and the literature based on the analysis of hard data. We finally argue that the most challenging task, both theoretically and empirically, is how to distinguish between "good" deterrence and "bad" deterrence. JEL classification: K21, K42, L4	285

Miscellaneous

C6 (Peitz/Stahl)		
Name	Topic	Date
Martin Peitz	The Department of Economics at the University of Mannheim invites applications for two assistant professorships in microeconomics (W1). Subject to budgetary approval the positions will be tenure track. Applications in the fields of industrial organization, applied game theory, and financial economics are particularly welcome. Theoretical and empirical applicants are both welcome. Applicants are expected to show outstanding commitment to research and must have obtained a PhD when taking up the position or be near its completion. The Department also invites applications for two postdoctoral positions in industrial organization. These positions can be filled for two or three years, subject to budgetary approval. The department has strong international ties, a widely recognized graduate school, and has been awarded special support as a Center of Excellence by the German government. Salaries and teaching load are competitive at the European level. Teaching can be entirely in English. Applications should include a resume, three letters of recommendation and at least one recent research paper. The review of applications begins November 20 and the search continues until the positions are filled. Members of the department will be at the ASSA Meeting in Atlanta on January 3-5 to interview interested candidates. CONTACTS: Volker Nocke, Martin Peitz, Ernst-Ludwig von Thadden, Department of Economics, University of Mannheim, D-68131 Mannheim, Department website: http://www2.vwl.uni-mannheim.de/10.1.html Applicants are requested to apply via EconJobMarket.org only. E-mail address for inquiries is jobmkt@uni-mannheim.de	