



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 2012

SFB/TR 15 Seminars

| Munich | | |
|------------|-----------------------------|--|
| Date | Speaker (Institution) | Title |
| October 16 | Maitreesh Ghatak (LSE) | tba |
| October 23 | Jacques Cremer (U Toulouse) | The value of incumbency in heterogenous networks |
| October 30 | Jean-Robert Tyran (U Wien) | Self-Organization for Collective Action. An Experimental Study of Voting on Sanction Regimes |

| Mannheim | | |
|------------|--|--|
| Date | Speaker (Institution) | Title |
| October 2 | Alessandro Gavazza (New York University) | A Quantitative Analysis of the Used-Car Market |
| October 9 | Jana Friedrichsen (University of Mannheim) | Image concerns and the provision of quality |
| October 16 | Salvator Piccolo (Universita Cattolica del Sacro Cuore, Milan) | Optimal Accomplice-Witnesses Regulation under Asymmetric Information |

Conferences Organized by SFB/TR15 Members

| A2 (Konrad) | | |
|----------------|--|--------------|
| Name | Topic | Dates |
| Konrad, Kai A. | Munich-Tokyo-Conference on Federal Public Economics, Max Planck Institute for Tax Law and Public Finance, Munich | September 13 |

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

| A2 (Konrad) | | |
|--------------------------|---|--------------------------|
| Name | Topic | Dates |
| Konrad, Kai A. | Brothers in arms - An experiment on the alliance puzzle, Verein für Socialpolitik - Jahrestagung 2012, Göttingen | September 12 |
| Konrad, Kai A. | Hanging Together or Being Hung Separately: The Strategic Power of Coalitions where Bargaining Occurs with Incomplete Information, Max Planck Institute for Tax Law and Public Finance, Munich | September 13 |
| Konrad, Kai A. | Staatsschulden ohne Sühne-Lösung durch Inflation?, 18. Kolloquium des Instituts für bankhistorische Forschung e.V., Institut für Bankhistorische Forschung e.V., Frankfurt | September 18 |
| Morath, Florian | Alliances in the shadow of conflict. ESA European Conference 2012, Cologne | September 15 |
| A4 (Schmidt) | | |
| Name | Topic | Dates |
| Fabian Herweg | University of Queensland, Brisbane: "A Theory of Ex post Inefficient Renegotiation" | August 19 – September 2 |
| Fabian Herweg | Queensland University of Technology, Brisbane: "A Theory of Ex post Inefficient Renegotiation" | August 30 |
| Joachim Winter | Schaefer Center for Health Policy and Economics, University of Southern California | September 18 – October 2 |
| Klaus Schmidt | BIC Theory Conference, University of Edinburgh, Keynote Lecture "A Theory of Ex-Post Inefficient Renegotiation" | October 5 |
| Klaus Schmidt | University of Innsbruck, "A Theory of Ex-Post Inefficient Renegotiation" | October 18 |
| Klaus Schmidt | University of Ulm, " Washington, Seattle, "Reference Points in Renegotiations: The Role of Contracts and Competition" | October 25 |
| A7 (Strausz/Wolfstetter) | | |
| Name | Topic | Dates |
| Elmar Wolfstetter | Research Visit, Korea University, Seoul | September 1 – October 6 |
| Matthias Lang | "The Fog of Fraud – Mitigating Fraud by Strategic Ambiguity", Jahrestagung des Vereins für Socialpolitik, Göttingen | September 12 |
| Roland Strausz | "Benefits of Sequential Screening", Paris School of Economics, Paris | September 17 |
| A9 (Corneo) | | |
| Name | Topic | Dates |
| Giacomo Corneo | Organiser, Workshop on "The Economics of Irreversible Choices", University of Brescia | September 13 - 14 |
| Frank Neher | Income Inequality and Self-Reported Values, <i>Workshop on "Institutions, Individual Behavior, and Economic Outcomes"</i> Argentario - Sardinia | September 2 - 9 |

| B7 (Marin) | | |
|---------------------------|--|---------------------|
| Name | Topic | Dates |
| Dalia Marin | Will present her paper "Do Multinationals Transplant their Business Model?" at the Annual Meeting of the American Economic Association, in January 2013, San Diego | January 4 - 6, 2013 |
| C8 (Falk) | | |
| Name | Topic | Dates |
| Hannah Schildberg-Hörisch | Institution formation when returns from public goods are heterogeneous, ESA 2012, Köln | September 14 |
| Armin Falk | Morals and Markets, ESA 2012, Köln | September 15 |
| Armin Falk | Morals and Markets, SITE 2012, Stanford | September 29 |
| Armin Falk | Morals and Markets, 6. Workshop Empirical and Experimental Economics, Universität Innsbruck | October 4 |

New Discussion Papers

| A10 (Szalay) | | |
|--------------|--|--------|
| Name | Title | Number |
| Dezső Szalay | <p>Strategic information transmission and stochastic orders</p> <p>Abstract: I develop new results on uniqueness and comparative statics of equilibria in the Crawford and Sobel (1982) strategic information transmission game. For a class of utility functions, I demonstrate that logconcavity of the density implies uniqueness of equilibria inducing a given number of Receiver actions. I provide comparative statics results with respect to the distribution of types for distributions that are comparable in the likelihood ratio order, implying, e.g., that advice from a better informed Sender induces the Receiver to choose actions that are more spread out.</p> <p><i>JEL classification:</i> D82 <i>Keywords:</i> strategic information transmission, cheap talk, uniqueness, comparative statics, logconcavity, likelihood ratio order</p> | 386 |

A8 (Rady)

| Name | Title | Number |
|--|--|--------|
| Paul Heidhues Sven Rady Philipp Strack | <p data-bbox="518 398 1177 427">Strategic Experimentation with Private Payoffs</p> <p data-bbox="518 456 1177 920">Abstract: We consider two players facing identical discrete-time bandit problems with a safe and a risky arm. In any period, the risky arm yields either a success or a failure, and the first success reveals the risky arm to dominate the safe one. When payoffs are public information, the ensuing free-rider problem is so severe that the equilibrium number of experiments is at most one plus the number of experiments that a single agent would perform. When payoffs are private information and players can communicate via cheap talk, the socially optimal symmetric experimentation profile can be supported as a perfect Bayesian equilibrium for sufficiently optimistic prior beliefs. These results generalize to more than two players whenever the success probability per period is not too high. In particular, this is the case when successes occur at the jump times of a Poisson process and the period length is sufficiently small.</p> <p data-bbox="518 949 1177 978"><i>JEL classification:</i> C73, D83.</p> <p data-bbox="518 981 1177 1028"><i>Keywords:</i> Strategic Experimentation, Bayesian Learning, Cheap Talk, Two-Armed Bandit, Information Externality.</p> | 387 |

A10 (Szalay)

| Name | Title | Number |
|---------------|--|--------|
| Alessia Testa | <p data-bbox="518 1149 1177 1211">Path-Dependent Behavior with Asymmetric Information about Traders' Types</p> <p data-bbox="518 1240 1177 1794">Abstract: We define path-dependency as the generic phenomenon according to which agents take an action regardless of their private information. Path-dependency can be of two types contingent on whether agents act with the crowd (herding) or against the crowd (contrarianism). We consider a quote-driven market where traders can in some cases observe whether their predecessors were informed, although they cannot observe their private information, while in other cases they are left with the uncertainty that their predecessors acted purely for liquidity motives. In this setting we recover herding and contrarianism and we find that better-informed markets (i.e. where informed traders receive high precision signals) can generate path-dependent behavior more easily than poorly informed ones. Moreover, we illustrate how a market dominated by herding features a price that is more informative of the asset value than the price of a market where traders always follow their signal. We also discuss how contrarianism has the exact opposite effect by decreasing price informativeness.</p> <p data-bbox="518 1823 1177 1852"><i>JEL classification:</i> D82, D83, G14</p> <p data-bbox="518 1854 1177 1863"><i>Keywords:</i> Herding, Contrarianism, Financial Markets</p> | 388 |

| A4 (Schmidt) | | |
|---------------|--|--------|
| Name | Title | Number |
| Fabian Herweg | <p>The Expectation-Based Loss-Averse Newsvendor</p> <p>Abstract: We modify the classic single-period inventory management problem by assuming that the newsvendor is expectation-based loss averse according to Köszegi and Rabin (2006, 2007). Expectation-based loss aversion leads to an endogenous psychological cost of leftovers as well as stockouts. If there are no monetary stockout costs, then the loss-averse newsvendor orders a quantity lower than the quantity ordered by a profit-maximizing newsvendor. If there are positive monetary costs associated with stockouts, then the loss-averse newsvendor places suboptimal orders, which can be either too high or too low.</p> <p><i>Keywords:</i> behavioral operations management; inventory decision; loss aversion; newsvendor</p> | 389 |

Publications

| A2 (Konrad) | | |
|---|---|-------------|
| Name | Topic | Dates |
| Ke, Changxia, Konrad, Kai A., Morath, Florian | Brothers in arms - An experiment on the alliance puzzle. In: Games and Economic Behavior | forthcoming |
| A4 (Schmidt) | | |
| Name | Topic | Dates |
| Joachim Winter | Kesternich, I., Siflinger, B., Smith, J., Winter, J.: "The effects of World War II on economic and health outcomes across Europe." Forthcoming, <i>Review of Economics and Statistics</i> . | |
| Joachim Winter | Houser, D., Vetter, S., Winter J.: "Fairness and cheating." Forthcoming, <i>European Economic Review</i> . | |

New/Leaving Staff

| A2 (Konrad) | | |
|--------------------------|-----------------------|-------------------|
| Name | Topic | Dates |
| Ke, Changxia | | 12/2009 - 07/2012 |
| A7 (Strausz/Wolfstetter) | | |
| Name | Topic | Dates |
| Matthias Lang | joined project A7 | September 1 |
| Luke Hu | is leaving project A7 | September 30 |
| B5 (Schnitzer) | | |
| Name | Topic | Dates |
| Martin Watzinger | joined the SFB/TR 15 | April 20 |

Visitors

| B5 (Schnitzer) | | |
|------------------------|---|-------------|
| Name | Speaker (Institution) | Date |
| Prof. Dr. Claudia Buch | IAW Tübingen, Zusammenarbeit im Projekt zu Internationalisierungsstrategien multinationaler Unternehmen | August 2012 |

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
 Editorial deadline for SFB/TR 15 Newsletter No. 10: Friday, September 28th, 2012