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AWI This Week

Monday, 3.11.08

Departmental Seminar

17.15-18.45
AWI 1017

Patrick Schmitz, University of Cologne
"The Hold-Up Problem and Asymmetric Information"

Tuesday, 4.11.08

Internal Seminar (special date)

13.00-14.00
AWI 1017

Eva Hoppe, University of Cologne
"Public versus Private Ownership: Quantity Contracts
and the Allocation of Investment Tasks"

Wednesday, 5.11.08

Internal Seminar

17.15-18.45
AWI 1017

Elisabeth Schulte, University of Mannheim
"Preselection and Expert Advice"

Departmental Seminar

Patrick Schmitz, University of Cologne

"The Hold-Up Problem and Asymmetric Information"

In the contract-theoretic literature, the so-called hold-up problem plays a central role. A hold-up problem occurs if contractual parties have insufficient incentives to make relationship-specific investments. It is well-known that when the parties are symmetrically informed, the hold-up problem can be solved if complete contracts that rule out renegotiation can be written. If the investments have no direct externalities, this result also holds when each party has private information about its own payoff. We investigate whether the result still holds if the investments have direct externalities and if there is private information about a quality parameter which affects both parties' payoffs.

Invited by Andreas Roider.

Internal Seminar (special date)

Eva Hoppe, University of Cologne

"Public versus Private Ownership: Quantity Contracts and the Allocation of Investment Tasks"

The government wants a certain good or service to be provided. Should the required assets be publicly or privately owned or should a partnership be formed? Building on the incomplete contracting approach, we argue that the initially specified quantity of an ex ante describable basic good can have important effects on investment incentives, which has been neglected in the literature so far. We also study how the tasks of investing in quality improvements and cost reductions should be assigned. We show how the optimal contracts and governance structures depend on the exogenous parameters of the model such as the nature of the investments and the parties' bargaining powers.

Invited by Andreas Roider.

Internal Seminar

Elisabeth Schulte, University of Mannheim

"Preselection and Expert Advice"

We study the effects of preselection on an expert's incentive to give truthful advice. In a decision environment, in which certain decisions yield more precise estimates about the expert's expertise, a mediocre expert's advice is biased. We show that this bias can be undone by the introduction of a preselection stage, where the decision maker himself sometimes studies the case, and thereby alters the expert's perception of the problem. In addition, we discuss the mediocre expert's endogenous choice of his signal quality, and the possibility of consulting a second expert. We find that the mediocre expert never gets fully informed in equilibrium, and that the bias generally persists in both extensions.

Talks and Research Visits

Johanna Kühnel participated as a discussant in the PGPPE 2008 Workshop "Public goods and public policy: Competition, Regulation, Incentives, Governance" (October 20-22, 2008) organized by the Max Planck Institute for Research on Collective Goods in Bonn.

Visitors

Gleb Koshevoy from Central Institute of Mathematics and Economics (CIME), Russian Academy of Sciences, Moscow, is staying at the AWI for research with Jürgen Eichberger from November 3 to November 30, 2008 (room 4144).

**Editorial deadline for issue 6/2008 of the newsletter:
Wednesday, November 5, 2008, 12 o'clock
newsletter@uni-heidelberg.de**

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please contact newsletter@uni-heidelberg.de