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AWI This Week

Monday, 15. 6. 09

Departmental Seminar

17.15-18.45

Markus Reisinger, LMU München

AWI 00.010

"Successive Oligopolies with Differentiated Firms and
Endogenous Entry"

Wednesday, 17. 6. 09

Internal Seminar

17.15-18.45

Ole Jürgens

AWI 00.010

"Monitoring and Enforcement:
The L.B. Jefferies Problem"

Departmental Seminar

Markus Reisinger

"Successive Oligopolies with Differentiated Firms and Endogenous Entry"*

This paper develops a model of successive oligopolies with endogenous entry, allowing for varying degrees of product differentiation and entry costs in both markets. Our analysis shows that the downstream conditions dominate the overall profitability of the two-tier structure while the upstream conditions mainly affect the distribution of profits. We compare the welfare effects of upstream versus downstream deregulation policies and show that the downstream deregulation is more effective if the industry is relatively concentrated and vice versa. Furthermore, we analyze how different forms of vertical restraints shape the endogenous market structure and provide conditions under which they are welfare reducing.

*with Monika Schnitzer

Internal Seminar

Ole Jürgens

"Monitoring and Enforcement: The L.B. Jefferies Problem"*

A new regulatory paradigm that assigns to the general public an active role in the enforcement of laws and regulations has become an important feature of recent policies. In this paper, we address the question how the design of regulatory policies can enhance the supply of information by the public. We build a game-theoretic model to analyse the interaction between the supply of citizen complaints and regulatory standard setting. Citizen complaints constitute a cheap substitute for costly regulatory monitoring. This raises the question how regulatory policies can mobilize the public's reporting effort. The regulator faces a classical trade-off. On the one hand, first-order efficiency considerations require that the regulator imposes different standards on agents characterized by heterogeneous costs. On the other hand, this tailored standard setting can constrain the supply of valuable information by the general public. The reason is that individualized regulations lead to uncertain benefits from complaining. This result holds even if the general public is endowed with a perfect monitoring technology. By imposing a uniform standard that is communicated to the public efficiency gains can be generated whenever the savings in monitoring costs exceed the efficiency losses due to the uniform standard. Optimality of uniform standard setting is well documented in the literature, especially if the regulator faces uncertainty about agents' types. This practice leads to rent extraction by high efficient types. However, we assume that the regulator knows each agent's type. Uncertain benefits from complaining for the public are a new explanation for uniform standards. Further, these standards can lead to the loss of gains for all types of agents.

*with Timo Goeschel

Talks and Research Visits

On June 18-20, Timo Goeschl will present his paper "Affect-based Motivation crowding" (with G. Perino) at the Summer Workshop of the Association of Environmental and Resource Economists at RFF in Washington, DC.

Last week, Adam Dominiak, Peter Dürsch and Wendelin Schnedler participated in the M-BEES 2009 conference in Maastricht. Peter Dürsch presented the paper "Taking punishment into your own hands: An experiment on the motivation underlying punishment" (joint with Julia Müller) and Wendelin Schnedler presented the paper "Uncertainty Aversion and Preferences for Randomization: An Experimental Study" (joint with Adam Dominiak).

Visitors

On June 19, Hans Haller, Virginia Polytechnic Institute and State University, will stay at the AWI (room 01.012a) for a research visit with Jürgen Eichberger.

New Working Papers

Hans-Christian Krcal: Das Management des (un)erwünschten Ressourcenüberschusses Teil I. Funktionen, Zustände und Entstehung des organizational slac.

New Publications

Lars P. Feld: *The Impact of Referendums on the Centralisation of Public Goods Provision: A Political Economy Approach*, to be published in: *Economics of Governance* (with Christoph A. Schaltegger and Jan Schnellenbach).

Miscellaneous

From June 4th till June 5th, 2009 Andreas Roeder participated as a discussant in the conference "Frontiers in the Economic Analysis of Contract Law" at the University of Bonn.

In June 2009 Andreas Roeder has been appointed as a research fellow of the CESifo Institute, Munich.

**Editorial deadline for issue 17/2009 of the newsletter:
Wednesday, June 17, 2009, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above.