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AWI This Week

Wednesday, 15. 7. 09

17.15-18.45
AWI 00.010

Internal Seminar

Ole Jürgens

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

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"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 Goeschl

Talks and Research Visits

From August 1, 2009, to March 15, 2010, Jörg Oechssler will stay at the Faculty of Economics and Commerce, University of Melbourne, for research.

On July 22, Jan Schrader will present his paper "The Competition between Relationship-Based Microfinance and Transaction Lending" at the workshop "New Trends in Microfinance Research", organized by KfW Development Bank, in Frankfurt.

From July 22-27, Jürgen Eichberger will be visiting the University of Exeter Business School for joint research with David Kelsey.

From July 20-31, Andrea Leuermann will attend the Summer School in Bonn on "Limited Cognition, Strategic Thinking and Learning in Games".

On July 13, Andreas Roider gives a talk on "Moral Hazard with Endogenous Outside Options and Employment-At-Will" at the University of Cologne.

From July 7-8, Christian Conrad and Johanna Kühnel participated in the ZEW's Conference on Recent Developments in Macroeconomics in Mannheim. Christian Conrad presented the paper "On the Transmission of Memory: Inflation Persistence and the Great Moderation" (joint with Simone Elmer and Menelaos Karanasos) and Johanna Kühnel presented the paper "Innovation, Growth, and the Optimal Enforcement of the Rule of Law" (joint with Andreas Irmen).

On July 7, Malte Faber gave a lecture on "Umwelt: Welcher Preis? Zum Verhältnis von Ökonomie, menschlichem Selbstverständnis und Politik im Umweltschutz", Kulturkreis Emmertsgrund-Boxberg e.V.

From July 3-5, Adam Dominiak participated in the Warsaw International Economic Meeting at the University of Warsaw and presented his paper "Unambiguous events and dynamic Choquet preferences" (joint with Jean-Philippe Lefort).

From June 24-27, Timo Goeschl, Ole Jürgens and Christian Almer presented their papers *Instrument Choice and Motivation: Evidence from a Climate Change Experiment*, (T. Goeschl and G. Perino), *Rear Windows: How Citizen Complaints Can Accomplish Higher Efficiency with Uniform Standards and Zero Inspections* (T. Goeschl and O. Jürgens), *Estimating an Economic Model of Environmental Crime With Penal Data: The Case of Illegal Waste Disposals* (C. Almer and T. Goeschl) and *The Political Economy of the Environmental Criminal Justice System: A Panel Data Analysis* (C. Almer and T. Goeschl) at the Annual Meeting of the European Association of Environmental and Resource Economists (EAERE) at the VU University of Amsterdam.

From June 19-30, Andrea Leuermann attended the 20th Jerusalem School in Economic Theory ("The Economics of Contracts").

New Publications

Anke D. Leroux, Vance L. Martin and Timo Goeschl: Optimal conservation, extinction debt, and the augmented quasi-option value, *Journal of Environmental Economics and Management*, Volume 58, Issue 1, Pages 1-118 (July 2009), Pages 43-57.

There will be no newsletter until the beginning of October.

**Editorial deadline for issue 21/2009 of the newsletter:
Wednesday, October 7, 2009, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.