



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN  
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941, FAX: 06221/54-3592  
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

---

## AWI This Week

### Monday, 10.6.13

17.15-18.45

AWI 00.010

### Departmental Seminar

J. Philipp Reiss, KIT

"The law of one price in auctions with outside competition"

### Tuesday, 11.6.13

14.15-15.45

AWI 02.036

### Impromptu Seminar

Christian Träger, UC Berkeley

"Discounting and Confidence"

### Wednesday, 12.6.13

17.15-18.45

AWI 00.010

### Departmental Workshop

Israel Waichman, University of Heidelberg

"Reciprocity across countries:  
Evidence from a gift-exchange experiment"

### Thursday, 13.6.13

16.00-19.15

Akademie der  
Wissenschaften  
Karlstraße 4  
69117 Heidelberg

### Interdisziplinäres Klimaforum

Christoph M. Schmidt, Rheinisch-Westfälisches Institut für  
Wirtschaftsforschung

Vortrag des Vorsitzenden des *Sachverständigenrates*  
Im Anschluss:  
Vorstellung der Ergebnisse des Climage-Forschungs-  
projektes und Podiumsdiskussion zu "Klimawandelpolitik  
in der Generationenfalle? "

### Friday, 14.6.13

9.00-17.00

PI, Hauptstraße 47-51

### Workshop on Public Good Provision, Decision Making and the Environment

Full Program:

<http://climage.wordpress.com/scientific-workshop/>

Sign up information at [kettner@eco.uni-heidelberg.de](mailto:kettner@eco.uni-heidelberg.de)

### Departmental Seminar

J. Philipp Reiss

"The law of one price in auctions with outside competition"\*

In this paper we theoretically and experimentally investigate price formation in hybrid markets. All buyers are faced with unit demand for a single object that is offered by various sellers. There are two market mechanisms utilized by sellers. First, there is a single auction seller offering a single object for sale. Second, there is a vast posted prices market where substitute objects are exchanged, however, prices are dispersed and buyers have to search for them before any transaction where search is costly. The timing in the hybrid market is sequential where the auction is held before any buyer can participate in the posted prices market. To keep the setting as simple as possible, we employ a second-price auction and assume that buyers' valuations are independently distributed and their private information. We characterize equilibrium behavior in the hybrid market and use it to predict behavior in the experiment. Theoretically we find that - depending on the demand structure - the price in the auction either is carried over from the vast posted prices market to the auction so that the law of one price holds or equals a smaller bargain-price. In other words, depending on demand, the model explains why rare bargain-prices in auctions can coexist with a series of identical higher prices with identical objects exchanged in the market. Experimentally we find that bidders behave myopically so that auction prices are higher than predicted since bidding in the auction does not fully take advantage of the potential benefits derived from potentially participating in the posted prices market.

\*with Lavinia Gotovan

### Economics & Politics Seminar

Christian Träger

"Discounting and Confidence"

The paper analyzes the social discount rate under uncertainty. It employs a preference representation that enriches the characterization of uncertainty by a degree of confidence into probabilistic descriptions of the world. Special cases of the model comprise discounting under smooth ambiguity aversion as well as discounting under a disentanglement of risk aversion and aversion to intertemporal substitution. I relate different results in the literature switching risk measures between the classical Arrow Pratt form and a measure of intertemporal risk aversion. I characterize the general class of preferences for which uncertainty implies a reduction of the social discount rate. I also characterize the class of preferences that lower the discount rate compared to the standard model. I derive a particular parametric discounting formula under the assumptions of isoelastic preferences and normal growth rates. Apart from the usual characteristics of the growth process like expected value and variance, the discount rate depends on a measure of confidence into future growth estimates and a measure of aversion to the lack of confidence.

## Departmental Workshop

Israel Waichman

"Reciprocity across countries: Evidence from a gift-exchange experiment"

We study reciprocity in a labor market context. To this end, we compare the performance of subjects from different countries in a bilateral (gift-exchange) labor market experiment. We investigate subjects' behavior with respect to both wage offers and willingness to reciprocate generous wage offers with high labor effort. We confirm that wages affect effort levels in all countries and that repeated relationship leads to higher effort levels. We find, however, considerable differences between countries in both one-shot and repeated relationships, the most striking between Germany and Spain.

\*with Ch'ng Kean Siang, Till Requate, Aric P. Shafran, Eva Camacho-Cuena, Yoshio Iida and Shosh Shahrabani

## Talks and Research Visits

**Peter Duersch** presented his paper "Price Competition in an Inflationary Environment"(joint with Thomas Eife) at the MBEES 2013 conference in Maastricht, June 3.

**Christian Conrad** presented the paper "On the macroeconomic determinants of the long-term oil-stock correlation" (with K. Loch and D. Rittler) at the 8th BMRC - QASS Conference on Macro and Financial Economics, Brunel University, London, May 24.

## Visitors

Manoel Bittencourt, Faculty of Economics, University of Pretoria, S.A., is staying for research visit at the chair of Axel Dreher (room 01.012a), June 3-21.

## New Publications

Nikos Nikiforakis, Jörg Oechssler, and Anwar Shah: "Hierarchy, Coercion, and Exploitation: An Experimental Analysis", forthcoming Journal of Economic Behavior and Organization.

**Editorial deadline for issue 15/16/2013 of the newsletter:  
Wednesday, June 12, 2013, 12 o'clock  
newsletter@awi.uni-heidelberg.de**

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