

## **FEMM - Working Paper Series - 2009**

09039

Barbara Schöndube-Pirchegger, Jens Robert Schöndube:  
› The Value of Delegation in a Dynamic Agency

Abstract:

In this paper we analyze the value of delegation in a two-period agency. A central management hires an agent to perform a personal effort in each period. Due to time constraints or lack of ability this effort can not be performed by central management. Besides personal effort firm value is influenced by the decision to launch a project which has to be made at the beginning of period two. The project decision can either be delegated to the agent (decentralization) or it can be made by central management (centralization). Under decentralization the agent observes the project's contribution before its decision. While this captures the benefit of delegation its cost is that the project decision is unobservable and must be motivated together with personal effort via the same incentive contract. In the centralized regime, in contrast, no incentives for the project decision are necessary, however, the project's actual contribution will not be observed such that the project decision has to be made based on expectations. We analyze optimal performance measurement for both regimes in a linear contracting setting and analyze the variables that affect the value of delegation. We do this for two different contracting regimes: long-term commitment and long-term renegotiation-proof contracts. Trade-offs under both contracting environments differ substantially. In particular, under renegotiation-proof contracts, decentralization might become optimal even if its direct benefit in terms of acquiring specific knowledge about the project vanishes. The reason is that with delegation of the project decision central management implicitly commits to a higher second period incentive rate as personal effort and the project decision must be controlled via the same incentive contract. This is beneficial if renegotiation-proofness requires central management to set too low second-period incentives compared to long-term commitment. A necessary condition for that is, that intertemporal correlation is negative. Contrary to the classical view this result implies that the incentive problem under centralization may become more severe than under decentralization.

JEL:

Keywords:

09038

Tobias Schulz:  
› A new Silver-Meal based heuristic for the single-item dynamic lot sizing problem with returns and remanufacturing

Abstract:

In a recent contribution, Teunter et al. [2006. Dynamic lot sizing with product returns and remanufacturing. IJPR 44 (20), 4377-4400] adapted three well-known heuristic approaches for the single-item dynamic lot sizing problem to incorporate returning products that can be remanufactured. The Silver-Meal based approach revealed in a large numerical study the best performance for the separate setup cost setting, i.e. the replenishment options remanufacturing and manufacturing are charged separately for each order. This contribution generalizes the Silver-Meal based heuristic by applying methods elaborated for the corresponding static problem and attaching two simple improvement steps. By doing this, the percentage gap to the optimal solution which has been used as a performance measure has been reduced to less than half of its initial value in almost all settings examined.

JEL:	
Keywords:	
09037	Hendrik Thiel, Stephan L. Thomsen: › Noncognitive Skills in Economics: Models, Measurement, and Empirical Evidence
Abstract:	There is an increasing economic literature considering personality. This paper provides an overview on the role of these skills regarding three main aspects of economic analysis: measurement, theoretical modeling, and empirical estimates. Based on the relevant literature from different disciplines, the common psychometric measures used to assess personality are discussed. A recently proposed theoretical framework of human capital production takes personality explicitly into account. It is reviewed to clarify the understanding of crucial features of skill development. Based on these foundations, the main results of the empirical literature regarding noncognitive skills are classified along the research questions and summarized.
JEL:	I20, I28, J12, J24, J31
Keywords:	noncognitive skills, personality, human capital formation, psychometric measures
09036	Roland Kirstein: › Doping, the Inspection Game, and Bayesian Monitoring
Abstract:	Doping tests create a signal of whether the athlete has acted fraudulently. If the signal is costly, but perfect, then the doping enforcer and the athlete play an "inspection game," which has no equilibrium in pure strategies. This paper presents a modification of that game: The "Bayesian monitoring" model rests on the assumption that signals are available without cost, but vulnerable to two types of errors. Both the inspection game and the new model assume that the enforcer is interested in fostering compliant behavior and making correct decisions. While the inspection game has only one mixed strategy equilibrium, three perfect Bayesian equilibria exist under Bayesian monitoring (one in pure strategies, two in mixed). These outcomes can be described with respect to their punishment styles: tyrannic, draconian, and lenient. The equilibrium probability of compliant behavior is lowest under a tyrannic regime, and highest under a lenient regime. Total deterrence of doping behavior is impossible. An increase of punishment does not increase the probability of compliant behavior.
JEL:	K40, C72, D81
Keywords:	Sports economics, imperfect decision-making, perfect Bayesian equilibrium, enforcement, mixed strategies
09035	Jochen H. F. Güntner: › Competition among banks and the pass-through of monetary policy
Abstract:	Empirically, stiffer competition among commercial banks implies that (i) loan rates and deposit rates correlate more tightly with the policy rate, (ii) loan rates exceed the policy rate less, and (iii) deposit rates undercut the policy rate more. I find that a New Keynesian model with monopolistically competitive bank can account for the first two of these empirical facts. The model predicts that increased competition in the banking sector reduces the spread between the steady-state policy rate and the loan rate. Furthermore, augmented competition among banks amplifies the pass-through of monetary policy to the real economy.
JEL:	C61, E32, E43, E51
Keywords:	Monopolistically competitive banks; Collateral; External finance premium; Inside money premium
09034	Sebastian Henn: › Algorithms for On-line Order Batching in an Order-Picking Warehouse

Abstract:	In manual order picking systems, order pickers walk or ride through a distribution warehouse in order to collect items required by (internal or external) customers. Order batching consists of combining these - indivisible - customer orders into picking orders. With respect to order batching, two problem types can be distinguished: In off-line (static) batching all customer orders are known in advance. In on-line (dynamic) batching customer orders become available dynamically over time. This report considers an on-line order batching problem in which the total completion time of all customer orders arriving within a certain time period has to be minimized. The author shows how heuristic approaches for the off-line order batching can be modified in order to deal with the on-line situation. A competitive analysis shows that every on-line algorithm for this problem is at least 2-competitive. Moreover, this bound is tight if an optimal batching algorithm is used. The proposed algorithms are evaluated in a series of extensive numerical experiments. It is demonstrated that the choice of an appropriate batching method can lead to a substantial reduction of the completion time of a set of customer orders.
JEL:	
Keywords:	Warehouse Management, Order Picking, Order Batching, On-line Optimization
09033	Sascha Füllbrunn, Katharina Richwien, Abdolkarim Sadrieh: › Trust and Trustworthiness in Anonymous Virtual Worlds
Abstract:	Virtual communities like Second Life represent an economic factor with increasing potential, but may induce behavior that deviates from real world experience. We introduce a new experimental design that is based on the trust game (Berg, Dickhaut, and McCabe 1995), but eliminates the problem of multiple virtual identities. We conduct one treatment of the experiment in the virtual world Second Life and compare the results to the First Life control treatment that we conduct on our university Campus. In Second Life, we find significantly lower investment levels, but significantly higher average returns than in our First Life treatment or in the literature. The lower investments may be due to the fact that the return schedules observed in Second Life are significantly more erratic than in First Life.
JEL:	C9, C72, D63
Keywords:	investment game, online community
09032	Barbara Schöndube-Pirchegger, Jens Robert Schöndube: › Reputation Concerns and Herd Behavior of Audit Committees - A Corporate Governance Problem
Abstract:	This paper offers an explanation for audit committee failures within a corporate governance context. We consider a setting in which the management of a firm sets up financial statements that are possibly biased. These statements are reviewed/audited by an external auditor and by an audit committee. Both agents report the result of their audit, the auditor acting first. The auditor and the audit committee use an imperfect auditing technology. As a result of their work they privately observe a signal regarding the quality of the financial statements. The probability for a correct signal in the sense that an unbiased report is labeled correct and a biased one incorrect, depends on the type of the agent. Good as well as bad agents exist in the economy. Importantly, two good agents observe identical informative signals while the signal observed by a bad agent is uninformative and uncorrelated to those of other good or bad agents. The audit committee as well as the auditor are anxious to build up reputation regarding their ability in the labor market. Given this predominate goal they report on the signal in order to maximize the market's assessment of their ability. At the end of the game the true character of the financial statement is revealed to the public with some positive probability. The market uses this information along with the agents' reports to update beliefs about the agents' types. We show that a herding equilibrium exists in which the auditor reports based on his signal but the audit committee "herds" and follows the auditor's judgement no matter what its own insights suggest. This results holds even if the audit committee members are held liable for detected failure. However, performance based bonus payments induce truthful reporting at least in some cases.

JEL:	
Keywords:	corporate governance, audit committee, game theory, herding, incentive contracts
09031	Holger Müller, Eike Benjamin Kroll, Bodo Vogt: › How Product Assortments Affect Buyer Preferences: Empirical Analysis of the Robustness of the Compromise Effect
Abstract:	Behavioral research revealed that product assortments can influence buyer preferences and affect purchase decisions between options of a product line. In this article, the compromise effect is investigated according to which the share of a product is expected to increase when it is in an intermediate position in an assortment subset. Since most of the previous studies on the compromise effect used artificial designs that lack realism, a limited external validity of experimental findings is to be supposed. This is a drawback, especially when decisions about compositions of real product lines should be supported. Therefore, an enhanced experimental design is presented with subjects making unforced and binding choices between real brands, which is similar to regular purchase decisions. Although results of our studies prove robustness, the magnitude of the compromise effect is significantly reduced in such real marketplace scenarios hence notably influencing predictions of sales and profitability of product lines.
JEL:	
Keywords:	Consumer Behavior; Compromise Effect; Consumer Preferences; Assortment Planning; Experimental Design; Choice in Context
09030	Rainer Kleber, Simone Zandoni, Lucio Zavanella: › On how the acquisition of recoverable parts influences the profitability of spare parts management for durables
Abstract:	In the management of spare parts for durables OEMs often face a sharp decline in sales of spare parts when the warranty period of their products ends. One reason for this effect is given by the high profitability of the after sales market which attracts competitors. If the competitors' main sourcing option consists of repairing used or broken parts, an acquisition of those parts by the OEM might lower competition and increase sales. The purpose of this paper is to provide a case-based framework to offer insights on the opportunity of recovering parts. We consider a two-stage supply chain, where independent repair shops are responsible for handling the repair process. There are two options to meet spare parts demand: repair shops may replace the part with a new one (ordered from the OEM) or they may use a part that they repaired before. While repair shops achieve a larger profit by repairing parts, the OEM would prefer the use of new parts. However, he has no control on demand which might be obtained through buyback of broken parts. Furthermore, the OEM could recover these parts on a higher level, thus reducing production/procurement of new parts. The main contribution of this paper is to elaborate the important effects of recoverable items acquisition on spare parts demand by using a simple deterministic framework thus outlining the impact of different parameters on the profitability of spare parts management.
JEL:	
Keywords:	Closed-Loop Supply Chains, Spare Parts, Competition in Product Recovery, Case Study
09029	Bettina Rockenbach, Abdolkarim Sadrieh: › Sharing Information
Abstract:	Customers write book reviews for Amazon.com and rate stores at BizRate.com. Car drivers call up radio stations to report traffic jams or radar traps. In many cases individuals share their information to the benefit of an unknown group of recipients, even though doing so is costly for the provider. In contrast to standard public good, providers have no immediate benefit from information public goods. The paper reports the results of an experimental study on information sharing under two payoff conditions

(opportunity announcement and hazard warning) and two information conditions (anonymous and identified provider). The experimental results show a substantial degree of information sharing. Information on extreme opportunities and extreme hazards is significantly more often provided than information on moderate prospects. Identification only plays a role in case of extreme opportunities and not in case of hazard warnings.

JEL: C91, D03, D64, D82, H41, M31

Keywords: Information public good; online recommendation; consumer rating; word-of-mouth communication; altruism; other-regarding behavior

09028 Caterina Liesegang, Marco Runkel:  
 › Corporate Income Taxation of Multinationals and Fiscal Equalization

Abstract: This paper investigates the effect of fiscal equalization on the efficiency properties of corporate income tax rates chosen by symmetric countries in a Nash tax competition game under the taxation principles of Separate Accounting and Formula Apportionment. Fiscal equalization ensures efficiency if the marginal transfer just reflects the fiscal and pecuniary externalities of tax rates. In contrast to previous studies, tax base equalization (Representative Tax System) does not satisfy this condition, but combining tax revenue and private income equalization does, regardless of which taxation principle is implemented. Under Formula Apportionment, tax base equalization is superior to tax revenue equalization if the wage income externality is sufficiently large.

JEL: H25, H71, H77

Keywords: Separate Accounting, Formula Apportionment, Fiscal Equalization

09027 Holger Müller, Steffen Voigt, Bernd Erichson:  
 › Befragungsbasierte Methoden zur Ermittlung von Preisresponsefunktionen: Preisbereitschaft oder Kaufbereitschaft?

Abstract: Zusammenfassung:  
 In experimentellen Studien werden Preis- und Kaufabfragen eines monadisch (isoliert) prä-sentierten Verbrauchsgutes in einem 2x2 faktoriellen Design auf hypothetischer Ebene realisiert oder mit einer anreizkompatiblen Lotterie verknüpft. Zwecks Validierung erfolgte außerdem ein reales Kaufangebot. Die Ergebnisse weisen die Existenz eines Bias der hypothetischen Abfrage nach. Ferner bestätigt sich, dass Kaufabfragen höhere Kaufanteile und Zahlungsbereitschaften als Preisabfragen induzieren. Im Rahmen der Abschätzung valider Zahlungsbereitschaften erweist sich die lotteriegekoppelte Kaufabfrage als leistungsfähige Alternative zu den in der Literatur weitläufig empfohlenen preisabfragebasierten Designs (BDM-Lotterie, Vickrey-Auktion). Hierzu wird im Beitrag eine Übersicht bisher verwendeter Indikatoren für die Validierung von Zahlungsbereitschaften vorgestellt. Abschließen erfolgt eine Diskussion grundlegender Einsatzmöglichkeiten und Grenzen der Ermittlung von Zahlungsbereitschaften auf Basis monadischer Designs.

Summary:  
 In experimental studies, two techniques (closed-ended vs. open ended approach) for measuring willingness to pay (WTP) of a consumer good presented in a non-competitive environment (monadic design) were applied. For validation a real option to buy was offered. Both approaches were applied hypothetically or in an incentive compatible lottery in a 2x2 factorial design. Our studies support verified findings of previous empirical research like the occurrence of an hypothetical bias. We observe higher shares of choice as well as higher WTPs revealed in the closed-ended approach. Compared to open-ended approaches widely recommended in literature (BDM-Lottery, Vickrey Auction), linking closed-ended approaches with a binding lottery turns out to be a useful design for determining valid WTPs. In addition, a selection of applied indicators for cross validations of derived price response functions is presented. Finally, results give rise to discuss fields of application and constraints of monadic designs for determining consumer's willingness to pay in general.

JEL:	
Keywords:	Preisforschung, Preisresponsefunktionen, Zahlungsbereitschaft, Kaufbereitschaft, Preisbereitschaft, BDM-Lotterie, monadische Designs Pricing Research, Price Response Function, Willingness to Pay, Willingness to Buy, BDM Lottery, Monadic Designs
09026	Rainer Kleber, Tobias Schulz, Guido Voigt: › Dynamic buy-back for product recovery in end-of-life spare parts procurement
Abstract:	The efficient supply of spare parts is of prime concern for OEMs. Next to the traditional spare parts sources in form of final order and remanufacturing, the option to buy back broken products prevents the OEM from fulfilling his spare parts availability obligation in the end-of-life phase and increases his ability to remanufacture. This contribution seeks to identify optimal buy-back strategies for different settings regarding information availability and buy-back flexibility. A numerical study analyzes circumstances under which buy-back is especially beneficial for the OEM.
JEL:	C61, M11
Keywords:	Inventory Management, Spare Parts Management, Reverse Logistics, Buy-back
09025	Stefan Hlawatsch, Peter Reichling: › A Framework for LGD Validation of Retail Portfolios
Abstract:	Modeling and estimating the loss given default (LGD) is necessary for banks which apply for the Internal Ratings Based Approach for retail portfolios. To validate LGD estimations there are only very few approaches discussed in the literature. In this paper, two models for validating relative LGDs and absolute losses are developed. The validation of relative LGDs is important for risk-adjusted credit pricing and interest rate calculations. The validation of absolute losses is important to meet the capital requirements of Basel II. Both models are tested with real data of a bank. Estimations are tested for robustness with in-sample and out-of-sample tests.
JEL:	C52, G21, G28, G32, G38
Keywords:	Loss Given Default, Validation, Retail Portfolio
09024	Thomas Neumann, Bodo Vogt: › Do Players' Beliefs or Risk Attitudes Determine The Equilibrium Selections in 2x2 Coordination Games?
Abstract:	This study focuses on the question whether it is risk aversion or the beliefs of players that explains the strategic choices in 2x2 coordination games. In a laboratory experiment, we elicit the risk attitudes by using lottery choices. Furthermore, using a quadratic scoring rule, subjects' beliefs about the choice of the opponent are elicited directly. Our data show that participants' behavior is not explained by risk attitude, but rather is explained as their best response to their stated first order beliefs.
JEL:	D81, C91, C72
Keywords:	experimental economics, coordination games, equilibrium selection, first order beliefs
09023	Franziska Günzel, Simon Halberstadt, Peter Knüppel, Sandra Y. Stieger, Stephan Theiss, Matthias Raith, Georg Rose: › Gesundheitsökonomische Aspekte in der telemedizinischen Schlaganfall-Akutversorgung - eine qualitative Analyse

**Abstract:** Spezialisierte Stroke Units bieten Schlaganfallpatienten die bestmögliche Behandlung - ihrer flächendeckenden Einrichtung steht allerdings akuter Mangel an erfahrenen Neurologen sowie die geringe Schlaganfallinzidenz in dünnbesiedelten, ländlichen Gebieten entgegen. Hier werden zunehmend telemedizinische Lösungen eingesetzt, um neurologische Expertise in Krankenhäusern der Grund- und Regelversorgung verfügbar zu machen. Nationale und internationale telemedizinische Pilotprojekte haben gezeigt, dass eine fundierte und schnelle Entscheidung über die Thrombolyse als wichtigste Akuttherapie, aber auch über weitere Interventionen telemedizinisch getroffen werden kann. Dabei evaluieren bisherige Studien zwar die Verbesserung der Versorgungsqualität durch die Netzwerke, nicht aber ihre für eine nachhaltige Umsetzung grundlegende Wirtschaftlichkeit. Komplementär zu der medizinischen Evaluation zeigt die hier vorgestellte qualitative ökonomische Bewertung deutscher und amerikanischer telemedizinischer Versorgungskonzepte bezüglich ihrer Geschäfts- und Finanzierungsmodelle klare Unterschiede in der Effizienz und dem langfristig möglichen Erfolg der einzelnen Netzwerkkonzepte. Auffällig ist die konträre Schwerpunktsetzung zwischen zwei großen amerikanischen und den deutschen Netzwerken: Während in den amerikanischen Netzen gezielte Nutzungsanreize geschaffen wurden, die über den immanenten Wunsch der beteiligten Ärzte zur Versorgungsverbesserung hinausgehen, ist dies in den deutschen von sekundärer Bedeutung. Weiterhin sind die deutschen Telemedizinnetzwerke im Unterschied zu einigen amerikanischen tendenziell nicht auf Wachstum angelegt. Aus wirtschaftlicher Sicht bieten dezentral organisierte Netzwerke ein höheres Effizienzpotential als rein lokale, und die Integration von Anreizen in das Geschäftsmodelldesign ist für das langfristige Bestehen vor allem in einem wettbewerbsintensiven Markt ein grundlegender Erfolgsfaktor.

**JEL:** J64, J62, J20

**Keywords:** Telemedizin, Netzwerkkonzepte, ökonomische Evaluation, Schlaganfall

**09022** Stephan L. Thomsen, Mick Wittich:  
 › Which one to choose? New evidence on the choice and success of job search methods

**Abstract:** This paper provides new evidence on the choice and success of six different job search channels comprising the public employment agency, advertisements in newspapers and journals, internet job search, recruitment agencies, direct applications, and the social network. In addition, job search intensity and its effects are regarded. Relying on panel data for Germany, we are able to consider observed and unobserved heterogeneity in the estimation. In line with findings for other countries, the results show that the consideration of various channels in individual job search increases the employment chances. With regard to the determinants, the estimates exhibit clear differences between the job search channels and with respect to search intensity. The results for success of the job search channels reveal that the public employment agency is ineffective and even harms the employment chances of the unemployed job seekers. In contrast, direct application for jobs and internet job search provide successful channels and increase the employment chances.

**JEL:** J64, J62, J20

**Keywords:** job search, unemployment, job placement, Germany, SOEP

**09021** Simon Halberstadt, Matthias G. Raith, Thomas Zomack:  
 › Balancing the Tradeoff between Personal Fulfillment and Competitiveness in Venture Creation

**Abstract:** The fascination of venture creation is associated with an entrepreneur's opportunity of achieving personal fulfillment. In reality, however, many nascent entrepreneurs discover that much of their original vision is sacrificed in the process of creating a startup. In this paper we address the conflict between the entrepreneur's fulfillment and the startup's competitiveness from a negotiationanalytic perspective. We show how the nature of this conflict is transformed in the process of business planning, and we demonstrate how a purely marketoriented focus on expansion serves to enhance personal fulfillment. Our analytical approach has practical implications for business development and entrepreneurial



education.

JEL:

Keywords: Venture Creation, Business Development, Negotiation Analysis

09020

Sebastian Henn, Sören Koch, Karl Doerner, Christine Strauss, Gerhard Wäscher:  
› Metaheuristics for the Order Batching Problem in Manual Order Picking Systems

Abstract:

In manual order picking systems, order pickers walk or drive through a distribution warehouse in order to collect items which are requested by (internal or external) customers. In order to perform these operations efficiently, it is usually required that customer orders are combined into (more substantial) picking orders of limited size. The Order Batching Problem considered in this paper deals with the question of how a given set of customer orders should be combined such that the total length of all tours is minimized which are necessary to collect all items. The authors introduce two metaheuristic approaches for the solution of this problem; the first one is based on Iterated Local Search, the second one on Ant Colony Optimization. In a series of extensive numerical experiments, the newly developed approaches are benchmarked against classic solution methods. It is demonstrated that the proposed methods are not only superior to existing methods, but provide solutions which may allow for operating distribution warehouses significantly more efficient.

JEL:

Keywords: Warehouse Management, Order Picking, Order Batching, Iterated Local Search, Ant Colony Optimization

09019

Sascha Füllbrunn:  
› A comparison of Candle Auctions and Hard Close Auctions with Common Values

Abstract:

With this study, we contribute to the literature of auction design by presenting a new auction format: the Candle auction, a popular auction in the Middle Ages. Considering a common value framework, we theoretically and experimentally point out that the Candle auction, where bidding is allowed until a stochastic deadline, yields a better outcome to the seller than the Hard Close auction, the popular eBay online auction format.

JEL:

C73, C9, D44

Keywords:

online auctions, market design, experimental economics, common value

09018

Stephan L. Thomsen:  
› Job Search Assistance Programs in Europe: Evaluation Methods and Recent Empirical Findings

Abstract:

Job search assistance programs are part of active labor market policy in many countries. The main characteristics of these activities are an intensified counseling and a job search monitoring; in addition, several countries integrate courses teaching further skills into the programs. Job search assistance programs should help to increase the employment chances and to reduce the unemployment duration of the job seekers. In this paper, recent empirical findings from evaluation studies for 9 European countries are reviewed and implications with regard to the effectiveness of the activities are derived. To make the findings of various studies evaluating the different programs comparable, the methodological issues of the empirical approaches applied to estimate the causal effects of the programs are discussed in detail. In addition, relevant characteristics of the unemployment insurance systems, the assignment process, and the content of programs are presented to derive meaningful implications. The comparison of the programs takes account of individual effects and, if available, cost benefit considerations. The results show that job search assistance programs tend to provide an effective means to reduce individual unemployment, particularly if provided as combinations of intensive counseling and short-term training courses.



JEL:	J68, C31
Keywords:	Job search assistance programs, active labor market policy, evaluation methods, Europe
09017	Anne Chwolka, Matthias G. Raith: › Perceiving the Value of Business Planning
Abstract:	<p>The value of business planning has been subject to much controversy over the past years. In-deed, there appears to be an escalation in empirical research, with opposing implications and diverging approaches to teaching entrepreneurship. Most empirical studies have taken an ex-post, comparative view of the relationship between planning and performance. In this paper, we introduce an ex-ante perspective by formally characterizing the decision of the nascent entrepreneur whether or not to start a business and whether or not to plan beforehand. We focus on the evaluative function of business planning, define the information value of busi-ness planning, identify its influencing factors, and show how costs of business planning de-termine the quality of planning. We find as the crucial aspect of good evaluative business planning that it helps to identify and to sort out poor business ideas before they reach the mar-ket. We contrast our results with conclusions drawn from empirical studies that have been critical of planning. In a setting in which, by construction, planning has a positive value, we question several popular negative implications by showing how they result from an incom-plete sample of entrepreneurs.</p>
JEL:	C11, D81, L26, M13, O21
Keywords:	Business plan, Start-ups, Entrepreneurship, Decision Making, Uncertainty
09016	Kirsten Rüchardt, Bodo Vogt: › Comparison of the Stock Price Clustering of stocks which are traded in the US and Germany-Is XETRA more efficient than the NYSE?
Abstract:	<p>We analyze intraday trades of German stocks (Daimler Chrysler and SAP) that are traded simultaneously at the German stock market XETRA and the New York Stock Exchange (NYSE). At first glance, the stock price clustering seems to be less pronounced at the NYSE. But after converting Euro-prices into Dollar-prices, we obtain the result that the clustering is stronger at the NYSE indicating that XETRA is more efficient with respect to this measure. This difference in the clustering at the different stock markets should not be observable if the no-arbitrage condition would hold. We also discuss sever- explanations, like ease of negotiation, convenience and rounding, attraction, odd pricing, and aspiration level for stock price clustering. As a result we see that no model is able to capture all of our empirical observations.</p>
JEL:	C50, D40, G12
Keywords:	behavioral finance; market microstructure; stock price clustering
09015	Sascha Füllbrunn, Tim Hoppe: › Stochastic Deadlines: A Comparison of Parallel Multiple Auction Designs
Abstract:	<p>In online auction platforms, offers are listed side by side and may end at the same point in time. While theoretical studies predict efficient coordination across auctions, experimental and empirical studies observe efficiency losses, i.e. goods remain unsold. In order to mitigate this coordination failure, we contribute to the literature of auction design by introducing a stochastic deadline in parallel multiple auctions. In these parallel Candle Auctions, several auctions start at the same time but end (separately) due to a stochastic process. We think that the stochastic ending rule decreases the coordination failure because the threat of a sudden termination forces the bidders to coordinate across auctions early in the auction process. Indeed, we find that coordination is less pronounced in parallel Candle Auctions resulting in higher efficiency</p>
JEL:	D44, C92

Keywords:	Simultaneous Auctions, Internet, Auction Design, Experimental Economics
09014	Marcus Heldmann, Bodo Vogt, Hans-Jochen Heinze, Thomas F. Münte: › Different methods to define utility functions yield different results and engage different neural processes
Abstract:	Although the concept of utility is fundamental to many economic theories, up to now a generally accepted method determining a subject's utility function is not available. We investigated two methods that are used in economic sciences for describing utility functions by using response-locked event-related potentials in order to assess their neural underpinnings. For defining the certainty equivalent (CE), we used a lottery game with probabilities of 0.5, for identifying the subjects' utility functions directly a standard bisection task was applied. Although the lottery tasks' payoffs were only hypothetical, a pronounced negativity was observed resembling the error related negativity (ERN) previously described in action monitoring research, but this occurred only for choices far away from the indifference point between money and lottery. By contrast, the bisection task failed to evoke an ERN irrespective of the responses' correctness. Based on these findings we are reasoning that only decisions made in the lottery task achieved a level of subjective relevance that activates cognitive-emotional monitoring. In terms of economic sciences, our findings support the view that the bisection method is unaffected by any kind of probability valuation or other parameters related to risk and in combination with the lottery task can, therefore, be used to differentiate between payoff and probability valuation.
JEL:	
Keywords:	Utility function; neuroeconomics; error-related negativity; executive functions; cognitive electrophysiology; lottery, bisection
09013	Stefan Hlawatsch, Sebastian Ostrowski: › Economic Loan Loss Provision and Expected Loss
Abstract:	The intention of a loss provision is the anticipation of credit's expected losses by adjusting the book values of the credits. Furthermore, this loan loss provision has to be compared to the expected loss according to Basel II and if necessary, equity has to be adjusted. This however assumes that the loan loss provision and the expected loss are comparable, which is only valid conditionally in current loan loss provisioning methods according to IAS. The provisioning and accounting model developed in this paper overcomes the before mentioned shortcomings and is consistent with an economic rationale of expected losses. We introduce a definition of expected loss referring to the whole maturity of the loan and show that this measure can be reasonably compared with loan loss provisions. Additionally, this model is based on a close-to-market valuation of the loan. Suggestions for changes in current accounting and capital requirement rules are provided.
JEL:	G18, G21, M41
Keywords:	loan loss provision, expected loss, IAS, Basel II
09012	Roland Kirstein: › Risk-Neutral Monopolists are Variance-Averse
Abstract:	If the production of a risk-neutral monopolist is influenced by a random variable, then the expected profit is decreasing in the variance of the production process.
JEL:	D81, L12
Keywords:	Risk-aversion, correlated random variables, market power
09011	Andreas Knabe, Steffen Rätzel, Ronnie Schöb, Joachim Weimann: › Dissatisfied with life, but having a good day: time-use and well-being of the unemployed

**Abstract:** We apply the Day Reconstruction Method to compare unemployed and employed people with respect to their subjective assessment of emotional affects, differences in the composition and duration of activities during the course of a day, and their self-reported life satisfaction. Employed persons are more satisfied with their life than the unemployed and report more positive feelings when engaged in similar activities. Weighting these activities with their duration shows, however, that average experienced utility does not differ between the two groups. Although the unemployed feel sadder when engaged in similar activities, they can compensate this by using the time the employed are at work in more enjoyable ways. Our finding that unemployment affects life satisfaction and experienced utility differently may be explained by the fact that people do not adjust their aspirations when becoming unemployed but face hedonic adaptation to changing life circumstances, triggered by the opportunity to use the time in a way that yields higher levels of satisfaction than working.

**JEL:** I31, J60, J22

**Keywords:** unemployment, happiness, life satisfaction, Day Reconstruction Method, experienced utility

09010 Andreas Knabe, Steffen Rätzel:  
› Income, Happiness, and the Disutility of Labour

**Abstract:** We reexamine the claim that the effect of income on subjective well-being suffers from a systematic downward bias if one ignores that higher income is typically associated with more work effort. We analyze this claim using German panel data, controlling for individual unobserved heterogeneity, and specifying the impact of working hours in a non-monotonic form. Our results suggest that the impact of working hours on happiness is rather small and exhibits an inverse U-shape. We do not find evidence that leaving working hours out of the analysis leads to an underestimation of the income effect.

**JEL:** D60, I31, J01

**Keywords:** Happiness, Life Satisfaction, Income, Working Hours

09009 Holger Müller, Eike Benjamin Kroll, Bodo Vogt:  
› Fact or Artifact Does the compromise effect occur when subjects face real consequences of their choices?

**Abstract:** This study investigates context effects in general and the compromise effect in particular. It is argued that earlier research in this area lacks realism which is a major drawback to research conclusions and stated management implications. The importance of this issue is stressed by previous research showing that behavioral anomalies found in hypothetical experimental settings tend to be significantly reduced when real payoff mechanisms are introduced. Therefore, to validate the compromise effect, an enhanced experimental design is presented with participants making choices in the laboratory that are binding. We find that the compromise effect holds for real purchase decisions, and therefore is validated and not an artificial effect in surveys on hypothetical buying decisions. While conclusions and implications for marketing managers derived in previous work assume that context effects hold for real market decisions, the results created by this enhanced design close this gap in marketing literature.

**JEL:**

**Keywords:** choice in context, compromise effect, irrelevant alternatives, hypothetical bias, experimental design

09008 Timo Heinrich, Thomas Riechmann, Joachim Weimann:  
› Game or frame? Incentives in modified Dictator Games

**Abstract:** We use modified dictator games in which the productivity of taking or giving is varied. Subjects have to decide which of the different games will be payoff relevant in the end. We can show that the behavior of dictators does not depend on the productivity of their gifts, but that their behavior is strongly influenced

by the right to choose the relevant game. If the recipients have the right to choose, the dictators become more generous.

JEL:

Keywords:

09007

Roland Kirstein:

› Volkswagen vs. Porsche. A Power-Index Analysis.

Abstract:

After Porsche SE took over Volkswagen AG, its supervisory board consists of three groups: The Porsche shareholders hold 6 seats, while the 324,000 Volkswagen employees and the 12,000 Porsche employees will be represented by 3 delegates each. This paper perceives each of these three groups as unitary players and presents a power-index analysis of this supervisory board. It shows that, unless the Porsche employees are made completely powerless, Porsche and VW employees will have identical power regardless of the actual distribution of seats on the employees' side. This analysis demonstrates that the request of the Volkswagen employees (for more seats than the Porsche employees in the future supervisory board) is unfounded.

JEL:

C71, D72, K22, M21

Keywords:

Banzhaf power-index, supervisory board, societas europeae

09006

Guido Voigt:

› Supply chain coordination with information sharing in the presence of trust and trustworthiness: a behavioral model

**Abstract:**

The strategic use of private information causes efficiency losses in traditional principal-agent settings. One stream of research states that these efficiency losses cannot be overcome if all agents use their private information strategically. Yet, another stream of research highlights the importance of communication, trust and trustworthiness in supply chain management. The underlying work links the concepts of communication, trust and trustworthiness to a traditional principal-agent setting in a supply chain environment. Surprisingly, it can be shown that communication and trust can actually lead to increasing efficiency losses although there is a substantial level of trustworthiness.

JEL:

Keywords:

09005

Steffen Rätzel:

› Revisiting the neoclassical theory of labour supply - Disutility of labour, working hours, and happiness

Abstract:

In empirical analyses, employment status has a substantial influence on individual wellbeing. People without work are consistently less happy, even after controlling for income. This result seems to contradict the standard theory assumption of labour disutility. In this paper, we analyze the impact of working time on happiness. The results show distinct positive utility effects caused by employment and working time. Happiness correlates positively with hours worked. However, there is an inverse U-shaped correlation - excessive hours reverse the relationship. Additionally, the results show the importance of exogenously given deviations of working time from the individually preferred labour supply. These discrepancies reduce well-being and counterbalance the positive effects of work.

JEL:

J22, J30, D60

Keywords:

Labour Supply, Working Hours, Happiness, Life Satisfaction

09004

Eike B. Kroll, Bodo Vogt:

› The St. Petersburg Paradox despite risk-seeking preferences: An experimental study

Abstract:	The St. Petersburg is one of the oldest violations of expected utility theory. Thus far, explanations of the paradox aim at small probabilities being perceived as zero and the boundedness of utility. This paper provides experimental results showing that neither risk attitudes nor perception of small probabilities explain the paradox. We find that even in situations where subjects are risk-seeking, the St. Petersburg Paradox exists. This indicates that the paradox lies at the very core of human decision-making processes and cannot be explained by the parameters discussed in previous research so far.
JEL:	
Keywords:	
09003	Marcus Heldmann, Ralf Morgenstern, Thomas Münte, Bodo Vogt: › Is brain activity observable that leads to an evaluation of a probability of 0.5 that is different from 0.5 in binary lottery choices?
Abstract:	This paper focuses on the problem of probability weighing in the evaluation of lotteries. According to Prospect Theory a probability of 0.5 has a weight of smaller than 0.5. We conduct an EEG experiment in which we compare the results of the evaluation of binary lotteries by certainty equivalents with the results of the bisection method. The bisection method gives the amount of money that corresponds to the midpoint of the utilities of the two payoffs in a binary lottery as it has been shown previously. In this method probabilities are not evaluated. We analyzed EEG data focused on whether a probability is evaluated or not. Our data show differences between the two methods connected with the attention towards sure monetary payoffs, but they do not show brain activity connected with a devaluation of the probability of 0.5.
JEL:	
Keywords:	
09002	Karl Inderfurth, Peter Kelle: › The structure of the optimal combined sourcing policy using capacity reservation and spot market with price uncertainty
Abstract:	This contribution focuses on the cost-effective management of the combined use of two procurement options: the short-term option is given by a spot-market with random price, whereas the long-term alternative is characterized by a multi period capacity reservation contract with fixed purchase price, reservation level and capacity reservation cost. Considering a multiperiod problem with stochastic demand, the structure of the optimal combined purchasing policy is derived using stochastic dynamic programming.
JEL:	
Keywords:	Capacity reservation, spot market, purchasing policy, supply contracts, stochastic inventory control
09001	Roland Kirstein: › Optimal Delegation in Nash Bargaining
Abstract:	When appointing a representative in negotiations, the principal can offer his agent a offer contract that promises a percentage of the bargaining result, and a bonus payment result (or penalty) if bargaining fails. Conventional wisdom of contract theory seems to suggest that the share should be as great as possible to provide proper incentives for a risk-neutral agent, while the bonus should be small or even negative. Drawing on the symmetric Nash bargaining solution, this paper argues that the optimal share is rather small, whereas the optimal bonus is rather large.
JEL:	C78, M52

Keywords: Endogenous threat points, marginal valuation, strategic moves

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