

FEMM - Working Paper Series - 2006

06030 Gerhard Schwödiauer, Vladislav Komarov, Iryna Akimova:
› Central Bank Independence, Accountability and Transparency: The Case of Ukraine

Abstract: This paper discusses different dimensions and measurements of central bank independence, the arguments and possible drawbacks of granting more autonomy to central banks, factors influencing the degree of central bank independence, the experience of different countries, as well as objectives and procedures for strengthening central bank accountability and transparency. The paper makes an attempt to measure formal and actual degree of independence of the National Bank of Ukraine, to highlight the main problems undermining and effective independence, accountability and transparency of the Bank and, on the basis of conducted analysis, provides recommendations aimed at enhancing policy in the direction.

JEL: E 58, P 2

Keywords: central bank independence, central bank accountability and transparency, National Bank of Ukraine

06029 Sönke Hoffmann:
› Biodiversität: Ein wissenschaftliches Konstrukt auf politischem Prüfstand

Abstract: Das Konzept der biologischen Vielfalt, kurz Biodiversität, hat eine beeindruckende Entwicklung hinter sich. Anfang des zwanzigsten Jahrhunderts diente es der Ökologie zur deskriptiven Charakterisierung von Lebensgemeinschaften, heute ist es eines der wichtigsten gesellschaftlichen Schutzziele weltweit. Über die Notwendigkeit einer Biodiversitätspolitik scheinen sich mittlerweile selbst die zerstrittensten Wissenschaften einig zu sein. Große Uneinigkeit herrscht dagegen in genau den Fragen, die zur Umsetzung einer solchen Politik in jedem Fall beantwortet werden müssen. Insbesondere was Biodiversität (nicht) ist, wie sich in unserer Umwelt darstellt und welches die Träger von Biodiversität sind, ist ebenso wenig klar, wie methodische Fragen zur Messung und Bewertung dieser Zielgröße. Die vorliegende Arbeit skizziert zunächst die außerordentlich großen Freiräume in der Ausgestaltung des Konzeptes Biodiversität. Etliche explizit formulierte Annahmen sorgen dafür, dass dieser Freiraum sukzessive eingeschränkt wird, bis schließlich nur noch eine Menge qualitativ sehr ähnlicher Konzepte übrig bleibt. In einer möglichst einfachen ceteris paribus Umgebung wird anschließend exemplarisch untersucht, wie sensibel eine theoretisch optimale Politik auf qualitative Veränderungen von Biodiversitätsdefinition bzw. -maß reagiert. Es zeigt sich, dass selbst die Menge ähnlicher Biodiversitätsmaße unter sonst gleichen Bedingungen zu fast gegensätzlichen, optimalen Politiken führen können. Vor diesem Hintergrund wird schließlich hinterfragt, inwieweit das wissenschaftliche Konstrukt "Biodiversität" überhaupt als Grundlage normativer Kollektiventscheidungen geeignet ist und welches sowohl hilfreiche, als auch realistische Forschungsziele für eine politikberatende Biodiversitätswissenschaft sein könnten.

JEL: Q20

Keywords: Biodiversität, Biodiversitätspolitik, Diversitätstheorien, Methodenwahl, Qualität

06028	Sönke Hoffmann: > Concavity and additivity in diversity measurement: Re-discovery of an unknown concept
Abstract:	Concavity and additivity are two desirable properties of diversity measures that are derived from distribution based Shannon entropy. Unfortunately, both properties are traded-off against each other when generalizing Shannon entropy by deformation or Kolmogorov-Nagumo means. We analyze concavity and additivity properties of common Shannon entropy generalizations and drive a unifying framework for all of them. This framework, originally developed in information theory by Sharma and Mittal (1975), not only includes all common measures of distribution based diversity but also the classic "effective number" frequently used in ecology (Hill 1973), economics (Hannah and Kay 1977) and political sciences (Laakso and Taagepera 1979). Once having its properties revealed, the Sharma-Mittal formalism clearly allows decision makers to model diversity in a much more flexible and appropriate manner with regard to the given context and the properties required.
JEL:	Q20, C65
Keywords:	Diversity measurement, generalization, concavity, additivity, quasilinear mean, deformed logarithm
06027	Riccardo Calcagno, Abdolkarim Sadrieh: > A note on the effects of introducing a market for cash-settled forward contracts on electricity
Abstract:	We extend the model of Allaz-Vila (1993) to a setting with uncertainty on the market demand. We study model in which the forward market can be settled in cash, so that the market is open to risk-averse speculators. We show that the risk attitude of traders on the forward market plays a crucial role in determining the degree of competitiveness of the spot market. This because the market price of risk is positive and depends on the volatility of the spot demand. In markets with highly volatile demand the market price of risk is higher, hence the commitment effect of short-selling forwards showed by Allaz and Vila (1993) is reduced. Our model predicts then that opening a forward market in sectors with high demand uncertainty has a smaller positive impact on efficiency than in sectors with stable demand.
JEL:	D43, L13
Keywords:	
06026	Oliver Kirchkamp, Philipp Reiss, Abdolkarim Sadrieh: > A pure variation of risk in first-price auctions
Abstract:	We introduce a new method of varying the risk that bidders face in first-price private value auctions. We find that decreasing bidders' risk significantly reduces the degree of overbidding relative to the risk-neutral Bayesian-Nash equilibrium prediction. This implies that risk affects bidding behavior as generally expected in auction theory. While resolving a long-standing debate on the effect of risk on auction behavior, our results give rise to a new puzzle. As risk is diminished and overbidding decreases for most of the value range, a significant degree of underbidding sets in for very low values.
JEL:	C92, D44
Keywords:	risk, first-price auctions, risk-aversion, overbidding
06025	Daniel Heile, Abdolkarim Sadrieh, Harrie A.A. Verbon: > Cross-Racial Envy and Underinvestment in South African Partnerships
Abstract:	Trust games are employed to investigate the effect of heterogeneity in income and race on cooperation in South Africa. The amount of socio-economic information available to the subjects about their counterparts is varied. No significant behavioural differences are observed, when no such information is provided. However, when the information is available, it significantly affects individual trust behaviour. The low income subjects from both racial groups invest significantly less in partnerships with the high

income subjects of the other racial group than in any other partnership. We attribute this behaviour to cross-racial envy, which on aggregate may lead to substantial efficiency losses.

JEL: C91, J 15

Keywords: trust game, ethnic diversity, income inequality, cooperation

06024 Sascha Füllbrunn, Abdolkarim Sadrieh:
› Sudden Termination Auctions - An Experimental Study

Abstract: The design of markets has become a major issue due to the capability of online operators to implement almost any set of market rules overnight. With this study we contribute to the literature of market design by presenting a theoretical and experimental analysis of sudden termination auctions. Our main focus is on the candle auction that has a positive termination probability at any time in the course of the auction. The second price candle auction which is technically demanding and rarely implemented offline proves to be a faster and equally efficient alternative to standard hard close auctions.

JEL: C73, C9, D44

Keywords: auctions, termination rules, electronic markets

06023 Thomas Aronsson, Sven Wehke:
› Public Goods, Unemployment and Policy Coordination

Abstract: Earlier literature on tax competition and policy coordination typically assumes that the labor market is competitive; a description less suitable for Europe, where trade unions have had a strong position in the labor market for a long time. This paper concerns factor income taxation and public good provision in small open economies characterized by capital mobility and imperfect competition in the labor market. We assume that each national government collects public revenues via taxes on labor, capital and profit income, and that the revenues are spent on a public consumption good and a public input good, where the latter enters the economic system in terms of an 'externality production factor'. The overall purposes are to characterize the tax and expenditure policies, if decided upon at the national level, and analyze the welfare effects of policy coordination with respect to taxes and public expenditures. Among the results, we show that tax coordination contributes to higher welfare if it reduces the net interest rate and the wage rate, and that the relative overprovision of the public input good derived by Keen and Marchand (1997) in the context of a competitive economy may no longer hold, if the labor market is non-competitive.

JEL: H21, H41, J51

Keywords: optimal taxation, wage bargaining, public goods, policy coordination

06022 Karl Inderfurth, Tobias Schulz:
› Lagerhaltungstheoretische Analyse der Lagerkennlinien nach Nyhuis/Wiendahl

Abstract: In ihrer Monografie "Logistische Kennlinien" erheben die Autoren P. Nyhuis und H.-P. Wiendahl unter anderem den Anspruch, mithilfe der von ihnen etablierten Kennlinientheorie den funktionalen Zusammenhang zwischen Kenngrößen des Bestandsmanagements hinreichend genau abbilden zu können. Dabei analysieren sie vor allem die Abhängigkeit der Kenngrößen Bestand und Lieferverzug. Während der entsprechende funktionale Zusammenhang in einem idealisierten, deterministischen Umfeld exakt wiedergegeben wird, erweitern die Autoren die Betrachtung in einer realen, durch stochastische Störeinflüsse geprägten Umwelt durch eine Transformation des deterministischen Ansatzes, der diesen Zusammenhang nur noch approximativ beschreibt. Der vorliegende Beitrag setzt sich kritisch mit der konzeptionellen Vorgehensweise bei Nyhuis und Wiendahl auseinander und beschreibt, wie ein lagerhaltungstheoretischer Ansatz zur exakten Ableitung von Lagerkennlinien genutzt werden kann. Ein Vergleich beider Ansätze zeigt, dass die sog. Kennlinientheorie aufgrund konzeptioneller Schwachstellen den abzubildenden Zusammenhang vielfach nur mit unzureichender

Genauigkeit wiedergeben kann.

JEL:

Keywords:

06021

Holger Müller:

› Messung der Preiswahrnehmung mittels Pricesensitivity-Meter (PSM) - Eine experimentelle Längsschnittanalyse des deutschen Zigarettenmarktes

Abstract:

Gemäß der verhaltenswissenschaftlich orientierten Preistheorie transformieren Konsumenten objektive Marktpreise in subjektive Preiswahrnehmungen, die verantwortlich für die eigentlichen Kaufentscheidungen sind. Dieser Transformationsprozeß orientiert sich an Referenzpreisen, welche der Konsument intern aufgrund von historischen Käufererfahrungen im Gedächtnis abgespeichert hat oder aber extern auf Basis aktueller Marktpreise ausbildet. Aus Vereinfachungsgründen werden die objektiven Preisniveaus dabei gemäß ihrer relativen Position zu den verankerten Referenzpreisen überwiegend in Form kategorialer Preisgünstigkeitsurteile enkodiert. Als Meßinstrument zur Erfassung dieser Transformationsvorgänge kann das Pricesensitivity-Meter (PSM) Anwendung finden, welches auf Grundlage direkt erhobener individueller Preisurteile aggregierte Indikatoren der wahrgenommenen Preisgünstigkeit, akzeptable Preisbereiche sowie Preisschwellen für spezifizierte Objekte (Marken, Produkte, Produktgruppen) ermittelt. Der vorliegende Beitrag diskutiert die Validität solcher PSM-Messungen, insbesondere vor dem Hintergrund der Verwendung von PSM-Kennwerten bei der Konfiguration preisorientierter Kaufsimulationen. Hierzu werden die Ergebnisse einer insgesamt vier Jahre umfassenden Längsschnittanalyse des deutschen Zigarettenmarktes dargestellt.

According to the theory of behavioral pricing, consumers generally transform objective market prices into individually perceived price levels that mainly influence their buying decisions. This transformation is based on internal (a common price knowledge as a result of historical buying experience) or external reference prices (current market prices). Consumer's perception of prices can be measured by using the Pricesensitivity-Meter (PSM) developed by the dutch economist P.H.v. Westendorp. As a result of the PSM-Analysis, aggregated indicators of pricesensitivity, ranges of acceptable prices and price threshold of the particular market under examination can be identified. This paper discusses the validity of pricesensitivity measurements with the PSM, especially with respect to the integration of PSM-Indicators into experimental designs of buying simulations. For this purpose, results of a four-year longitudinal analysis in the German market for cigarettes are highlighted.

JEL:

Keywords:

Preiswahrnehmung, Referenzpreis, Pricesensitivity-Meter (PSM), Kaufsimulation
Price Perception, Reference Price, Pricesensitivity-Meter (PSM), Buying Simulation

06020

Gangolf Groh:

Aggregierte Nachfrage und Quantitätstheorie - Eine alternative Sicht

Abstract:

JEL:

Keywords:

06019

Matthias Raith, Thorsten Staak, Christoph Starke:

› The Goal Achievement of Federal Lending Programs

Abstract:

Governmental intervention in credit markets typically involves the allocation of credit in the light of market failures. In this paper we evaluate federal lending programs while presuming positive externalities and symmetrically informed market participants. For common objectives of governmental lending institutions we verify that optimal lending structures require the application of the gap lender principle. We also show

that lending programs can never be selffinancing, due to the positive subsidy margin. Within this general framework, we contrast the policies of the US SBA and the German KfW and show that neither institution features an optimal lending structure.

JEL: G28, H23, D62

Keywords: Federal lending structures, subsidiarity principle, gap-lender principle, SBA, KfW

06018 Jeannette Brosig, Werner Güth, Torsten Weiland:
Let's Talk about Bidding! - Coordination Mechanisms in Procurement Auctions

Abstract: Collusive agreements are often observed in procurement auctions. They are probably more easily achieved when competitors' costs are easily estimated. If, however, the individual costs of bidders are private information, effective ring formation is difficult to realize. We compare experimentally different coordination mechanisms in a first-price procurement auction in how they promote the prospects of collusive arrangements. One mechanism allows bidders to coordinate by means of unrestricted pre-play communication. The second one enables bidders to restrict their bidding range and the last one gives them the opportunity to implement mutual shareholding. According to our results first-price procurement is quite collusion-proof when allowing for the latter two coordination mechanisms whereas, on average, pre-play communication increases bidders' profits.

JEL: C72, C91, H57, K42

Keywords: competition, collusion, auction, bidding, public procurement

06017 Stefan Felder:
To wait or to pay for treatment? Restraining ex-post moral hazard in health insurance

Abstract: This paper explores the hierarchy of two instruments, waits and copayments for medical treatment, for optimally solving the tradeoff between the economic gains from risk sharing and the losses from moral hazard. I show that the optimal waiting time is always zero, given that the copayment rate is optimally set. This result holds irrespective of whether health is an argument of the consumers' utility function or only a production factor for income.

JEL: D82, H21, I18

Keywords: waiting time, co-insurance, moral hazard, optimal insurance contracts

06016 Andreas Knabe:
Marginal wage subsidies: a redistributive instrument for employment creation

Abstract: Critics of marginal wage subsidies claim that their inter-firm displacement effects eliminate their employment and fiscal advantages over general wage subsidies. We develop a model in which we show that the contrary is correct. Inter-firm displacement with marginal subsidies forces down prices and raises output and employment more than under general subsidies. Moreover, we show that marginal subsidization is less expensive for the public budget than general subsidies and that it serves as a redistribution device by raising the labor share in the functional income distribution. A numerical illustration is used to support the theoretical results and to estimate their effects on unemployment in Germany.

JEL: J38, J68, H25

Keywords: marginal employment subsidies, double marginal subsidization, Magdeburg Alternative, redistribution

06015 Ronnie Schöb, Erkki Koskela:
Risk and Safety Stock Management in Production Planning and Inventory Control with Stochastic Demand and Yield

Abstract: Danthine and Kurmann (2006) show that efficiency wage models may generate wage rigidity when workers not only compare their wage with outside wages but also with an internal reference wage that depends on the firm's ability to pay. We modify their framework in a way that makes the external reference wage component consistent with assumptions normally made. With this generalization, we show that, although the relative weight of the internal reference wage is decisive for the degree of wage rigidity, the efficiency model already exhibits wage rigidity when this weight is rather modest.

JEL: E24, E32, J50

Keywords: Efficiency wages, wage rigidity, internal and external reference wage

06014 Andreas Knabe:
The supremacy of marginal over general wage subsidies in competitive industry equilibrium

Abstract: Proponents of marginal wage subsidies, which are paid only for a firm's additional employment exceeding some reference level, claim that such subsidies can create a larger employment stimulus at lower fiscal costs than general wage subsidies for all workers. Critics challenge this view. They expect that, with marginal subsidies, intra-industry competition forces some firms to expand at the cost of other firms, thus creating large fiscal costs without much gain in employment. To analyze the validity of both arguments, we derive conditions under which marginal subsidies create favorable output, employment, and fiscal effects compared to general subsidies, using a partial equilibrium model of competitive industry equilibrium. Contrary to previous studies, our subsidy scheme features double marginal subsidization that prevents firms from circumventing the reference level. Our results show that marginal subsidies generally create more employment and are fiscally more efficient than general subsidies.

JEL: J38, J68, H25

Keywords: marginal employment subsidies, double marginal subsidization, labor market policies, Magdeburg Alternative

06013 Stefan Felder:
Marginal Costs of Life in Health Care: Age, Gender and Regional Differences in Switzerland

Abstract: An optimal allocation of health care expenditure over the life-cycle at each age sets the value of life equal to the marginal costs of life. This paper estimates the age-specific marginal costs of life using age specific health care expenditures and mortality rates of Swiss cantons for the period 1997 to 2003. I find substantially higher marginal costs of life for women compared to men, reflecting both a lower marginal productivity of medical inputs and a higher spending for women. Medical technology does not differ across regions while marginal costs of life do.

JEL: I12, I18, J16

Keywords: Marginal costs of life, value of a statistical life, gender, health production, regional diversity

06012 Karl Inderfurth:
How to Protect Against Demand and Yield Risks in MRP Systems

Abstract: Traditional MRP systems suffer from several weaknesses, one of them being the disregard of uncertainties like those referring to demand and supply quantities. Advanced MRP concepts handle these uncertainties by incorporating safety stocks and scrap allowances into order release calculations. However, they fail to address how these measures of risk protection might interact. Here, it is shown by using analyses from stochastic inventory control how the performance of MRP-generated control rules can be assessed and how appropriate control parameters for MRP can be determined.

JEL:

Keywords:	MRP; Risk protection; Safety stocks; Yield uncertainty
06011	Andreas Knabe, Ronnie Schöb, Joachim Weimann: Marginal Employment Subsidization: A New Concept and a Reappraisal
Abstract:	<p>In this paper, we attempt to renew the interest in marginal employment subsidies. Such subsidies are paid only for a firm's additional employment exceeding some reference level and create larger employment stimuli at lower fiscal costs than general wage subsidies for all workers. If the hiring of a new employee also entails subsidizing an incumbent worker (double marginal subsidization), the replacement of regular paid workers by outsourcing employment to newly established firms - a standard critique of marginal employment subsidies - can be avoided. This additional subsidy reduces the incentive to crowd out regular employment and results in even larger employment effects. Applying the subsidy scheme to the low-skill labor market in Germany, we show that employment can be substantially increased without imposing additional fiscal burden.</p>
JEL:	J38, J68, H25
Keywords:	unemployment, marginal employment subsidies
06010	Thomas Spengler: Modellgestützte Personalplanung
Abstract:	<p>Der vorliegende Beitrag bietet einen Überblick über moderne Verfahren, Ansätze und Modelle der Personalplanung. Im Anschluss an terminologische und systematische Grundlegungen der Personalplanung im weitesten, im engeren und im engsten Sinne werden verschiedene Modellansätze thematisiert. Dabei liegt ein besonderes Augenmerk auf Entscheidungsmodellen zur Personaleinsatz-, zur Personalbereitstellungs- und zur Personalverwendungsplanung.</p> <p>This paper gives a review about modern methods, approaches and models in the field of personnel planning. After presenting terminological and systematic fundamentals of collective and individual personnel planning we discuss several models. The main focus is laid on decision models for personnel assignment planning, personnel allocation planning and personnel disposition planning.</p>
JEL:	C61, M50, M51
Keywords:	Personnel management, personnel planning, workforce management, fuzzy logic
06009	Claudia Beinert, Denny Dreher, Peter Reichling: Zur Verwendung des Altmanschen Z"-Scores als Benchmark für die Trennschärfe von Ratingfunktionen
Abstract:	<p>Der Altmansche Z"-Score gilt als internationales Benchmarkmodell bei der Beurteilung von Ratingfunktionen. Dabei kann der Z"-Score für US-amerikanische Unternehmen zunächst mit den Ratings von Standard & Poor's und anschließend mit idealisierten Ausfallwahrscheinlichkeiten verknüpft werden. Wir überprüfen diesen Kalibrierungszusammenhang empirisch für deutsche Unternehmen mit Kapitalmarkt-rating und gehen auch auf Anwendungshürden ein.</p> <p>Altman's Z"-Score represents an international benchmark model to evaluate rating functions. The Z"-Score - for US-American companies - can be linked with the ratings of Standard & Poor's and, subsequently, associated with estimated probabilities of default. We examine this calibrating relationship empirically for German companies with Standard & Poor's or Moody's rating and address some application problems.</p>
JEL:	C12, G19, G33
Keywords:	Ausfallwahrscheinlichkeit, Insolvenzprognose, Rating, Probability of Default, Prediction of Failure, Rating

06008

Holger Müller:

> Der Preis als Qualitätsindikator - Experimentelle Untersuchungen auf Basis des Konzepts der Buy-Response-Curve

Abstract:

Das Phänomen preisabhängiger Qualitätsbeurteilungen seitens der Verbraucher gilt nach wie vor als Schwerpunkt der verhaltensorientierten Preisforschung. Die zugrundeliegende Annahme, daß vom Preis nicht nur eine Allokationsfunktion (budgetminderndes Entgelt) sondern darüber hinaus auch eine Informationsfunktion (qualitätssignalisierende Produkteigenschaft) ausgeht, impliziert obere und untere individuelle Preisakzeptanzgrenzen und mithin glockenförmige aggregierte Preisresponsefunktionen. Die individuelle Neigung der Konsumenten, von zu zahlenden Preisen auf die Produktqualität zu schließen, ist heterogen ausgeprägt und nicht zuletzt vom Typ der Kaufentscheidung abhängig. Der Vielzahl von Experimenten und veröffentlichten Studien zu diesem Thema ist daher gemein, dass sie kaum zu generalisierbaren und oft sogar widersprüchlichen Ergebnissen kommen. Der vorliegende Beitrag gibt einen Überblick bezüglich theoretischer Modellrahmen und historischer Studien des Preis-Qualitäts-Zusammenhangs sowie darin verwendeten experimentellen Designs. Ferner wird anhand einer auf dem Konzept der Kaufbereitschaftskurven basierenden produktgruppenübergreifenden Untersuchung getestet, ob trotz zunehmenden Preisbewußtseins der Nachfrager weiterhin preisabhängige Qualitätsbeurteilungen identifizierbar sind und diese das Kaufverhalten vor dem Hintergrund differierender Kaufentscheidungstypen beeinflussen.

Among others, the price-perceived quality relationship is still an important topic of the behavioral pricing theory. Based on the assumption that price can be seen as a budget constraint as well as a signal of quality, individual ranges of acceptable prices should be bounded by upper and lower limits (i.e. absolute price thresholds) thus creating an inverted u-shaped priceresponse-function in the aggregate. The tendency of consumers to use price as an indicator of quality seems to vary individually and may be different for various product types. During past decades, numerous studies have tried to examine the nature, magnitude and generalizability of this phenomenon. However, investigations often yielded a lack of consistent results. Therefore, this paper outlines theoretical frameworks, important studies, experimental designs and models related to the price-perceived quality relationship. Furthermore, results of three empirical surveys in various markets are highlighted. Using the concept of the "buy response curve", these experiments verified whether prices are still used by the consumers as an indicator of quality in real purchase decisions despite an obvious increase in their price consciousness.

JEL:

Keywords:

Preis-Qualitäts-Zusammenhang, Kaufbereitschaftskurve, Preisexperimente, Preisresponsefunktion, Price-Perceived Quality Relationship, Buy Response Curve, Pricing Research, Price Response Function

06007

Stefan Felder, Andreas Werblow:

A physician fee that applies to acute but not to preventive care

Abstract:

A certain German sickness fund offers 240 per year to its clients if they pay the first 300 of their health care bills, except for consultations of physicians at which a flat rate of 20 applies. This paper studies the effects of this deductible scheme on health care demand by comparing about 5,000 participants with a control sample, using the insurer's claims data covering inpatient care, prescription drugs and ambulatory care. The data extend to three years including two years preceding and the year of the start of the program. We apply a parametric approach which models the choice of the deductible program, the probability of positive expenses, as well as the demand for health care services conditional on having positive demand. Instruments for the participation decision are used and the results compared with those of an exogenous specification of the program choice. The physician fee appears to significantly decrease the number of visits as well as the expenses for curative care. By contrast, prevention activities, not subject to the co-payment, remain constant.

JEL:

I11

Keywords:

Moral hazard, acute and preventive care, insurance contract choice

06006

Karl Inderfurth, Kampan Mukherjee:
Analysis of Spare Part Acquisition in Post Product life Cycle

Abstract:

A major task in service management is the timely and cost efficient provision of spare parts for durable products. This especially holds when regular production of the respective product and its components and parts has ended, but customer service still has to be guaranteed for quite a long time. In such a post product life cycle there are three options to organize spare part acquisition, namely (i) setting up a single large order within the final lot of regular production, (ii) performing extra production runs until end of service and (iii) using remanufacturing to gain spare parts from used products. These three options are characterized by different cost and flexibility properties. Due to the time-variability and uncertainty of demands for spare parts and returns of used products it is a challenging problem to find the optimal combination in using these three options over time. In this paper we show how this problem can be modelled and solved by a Decision Tree and a stochastic Dynamic Programming procedure. Based on the Dynamic Programming approach a heuristic method is developed which can be employed to come up with a simple solution procedure for the spare parts acquisition problem, even for problems of larger size. A numerical example is presented to demonstrate the application of the solution methods describe in the paper.

JEL:

Keywords: Decision tree, dynamic programming, remanufacturing, spare part acquisition

06005

Jeannette Brosig:
Communication Channels and Induced Behavior

Abstract:

This paper reports recent findings on the effects of cheap-talk communication on behavior. It exemplifies how different communication channels influence decisions in various games and information environments and addresses possible consequences for the design of real-world economic environments.

JEL:

Keywords:

06004

Karl Inderfurth, Sandra Transchel:
Note on "MYOPIC HEURISTICS FOR THE RANDOM YIELD PROBLEM"

Abstract:

Bollapragada and Morton (1999) present several well-performing heuristics for solving the periodic inventory problem with random yield and demand. Their approach is essentially based on a transformation of the single-period problem into a standard newsvendor problem with deterministic yield and random demand which, however, is supply-dependent. In our note, we show that their evaluation of the respective optimality condition is not correct. This explains the steady deterioration of their myopic heuristics for parameter constellations that correspond to increasing service levels. Some computational investigations reveal that the performance of the heuristics can become quite poor if service levels exceed the upper bounds for which results are reported in the original study.

JEL:

Keywords:

06003

Joachim Weimann:
What is "experimental evidence"?

Abstract:

JEL:

Keywords:	
06002	Swen Wehke: > Tax Competition and Partial Coordination
Abstract:	To determine the welfare effects of tax coordination, it is often assumed that one tax is jointly increased and all other policy instruments are held constant. This paper, in contrast, analyses partial coordination in the sense that each country can still adjust another tax, which is not subject to coordination. In a model with capital and labor taxation, we show that the welfare effect of coordinating the capital tax only is still non-negative. For a partial coordination of the labor tax, however, results become ambiguous and depend on the labor supply elasticity.
JEL:	C61, M11
Keywords:	Bestandsdisposition, Produktrecycling, Reverse Logistics
06001	Barbara Pirchegger, Jens Robert Schöndube: On the appropriateness of performance based compensation for supervisory board members - an agency theoretic approach
Abstract:	<p>Central European countries such as Germany, Austria or the Netherlands require public firms to set up two separated boards: a management board (MB) that manages the firm and a supervisory board (SB) that controls the management. As part of the recent debate on corporate governance, the expansion of comprehensive performance based compensation to include members of the SB has been heavily discussed. As a result, e.g. the German Corporate Governance Code suggests to base compensation on SB-members on short term as well as long term performance measures.</p> <p>In this paper we use a two stage principal-agent model to investigate incentive effects arising from such contracting. The first principal-agent relationship is established between the SB and the MB. The SB offers an incentive contract to the MB that motivates productive effort and requires a possibly biased report to be produced by the MB. The second principal-agent relationship involves the owners and the SB. The owners offer an incentive contract to the SB in order to motivate appropriate contracting with the MB and to induce a monitoring effort to be provided by the SB to restrict the MB's incentive to bias the report.</p> <p>Allowing for two types of performance measures to be available for contracting, the report provided by the board and the market price of the firm, we obtain the following results regarding appropriate contracting with the SB: If the market price is used as a single performance measure, proper incentives are provided in some settings, but not in others. Adding the MB's report as a second performance measure always worsens the results. If the MB's report is used as the sole performance measure, no incentive alignment between the owners and the SB can be achieved at all and a purely fixed compensation is strictly preferred.</p>
JEL:	G 30, D 8, M 51
Keywords:	corporate governance, board structure, two-tier system, supervisory board, incentives

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