

[April 15 und 16. 2011 in Bendorf \(Rhein\)](#)

The following presentations were held and discussed in Bendorf (Rhine) on April 15 and 16, 2011:

1. Lower Price Limits for Flat-Fee Service Contracts under Risk

Prof. Dr. Hermann Jahnke, Bielefeld University

Capital equipment requires various services at the different stages of its useful life, e.g. maintenance, monitoring and repair. This paper addresses the determination of lower price limits for profitable flat-fee contracts from the perspective of a provider of such services. Management accounting traditionally focuses on costs as a major factor for lower price limits and neglects uncertainty. But under a flat-fee contract the service provider assumes part of the customer's risk. Our research analyses the impact of the contract's inherent risk on the service provider's lower price limit. The analysis is mainly based on the concept of almost stochastic dominance which makes it possible to consider decision making under both risk and restricted information on the decisionmaker's risk preferences. We extend the concept to model multi-person decision contexts such as the delegation of preparatory work, the delegation of pricing decisions and several decision makers. Besides opening a route to the calculation of price limits based on the risk assessments of the relevant decisionmakers, we discuss implementation issues concerning the assessment of preferences and a variable number of contracts. Our approach is not restricted to service contracts, but can be applied to a wide range of flat-fee contracts.

2. Holding On for Too Long? An Experimental Study on Inertia in Entrepreneurs' and Non-Entrepreneurs' Disinvestment Choices

Prof. Dr. Christian Schade, Humboldt University Berlin

Disinvestment, in the sense of project termination and liquidation of assets including the cession of a venture, is an important realm of entrepreneurial decision making. The problem is also relevant for other domains of economic life: financial decisions, R&D choices, marketing etc. This study presents the results of an experimental investigation modeling the choice to disinvest as a dynamic problem of optimal stopping in which the patterns of decisions are analyzed with entrepreneurs and non-entrepreneurs. Our experimental results reject the standard net present value approach as an account of observed behavior. Instead, most individuals seem to understand the value of waiting. Their choices are weakly related to the disinvestment triggers derived from a formal optimal stopping benchmark consistent with real-options reasoning. We also observe a pronounced "psychological inertia", i.e., most individuals hold on to a losing project for even longer than real-options reasoning would predict. The study provides evidence for entrepreneurs and non-entrepreneurs being quite similar in their behavior. Potential consequences of these findings depend on how the

pronounced waiting tendencies are interpreted. We discuss the "virtue of perseverance", ecological rationality arguments, and advocate more research in this domain.

3. Leadership and Cooperation in Groups - Lessons from Ethiopia

Prof. Dr. Michael Kosfeld, Goethe University Frankfurt

Recent evidence suggests that prosocial behaviors like conditional cooperation and costly norm enforcement can stabilize large-scale cooperation for commons management. However, field evidence on the extent to which variation in these behaviors among actual commons users accounts for natural commons outcomes is altogether missing. Here, we combine experimental measures of conditional cooperation and survey measures on costly monitoring among 49 forest user groups in Ethiopia with measures of natural forest commons outcomes to show that (i) groups vary in conditional cooperation share, (ii) groups with larger conditional cooperation share are more successful in forest commons management, and (iii) costly monitoring is a key instrument with which conditional cooperators enforce cooperation. Our findings are consistent with models of gene-culture coevolution on human cooperation and provide external validity to laboratory experiments on social dilemmas.

4. Scarcity and risk premiums on commodity futures markets

Prof. Dr. Heinz Zimmermann, University of Basel

The pricing of commodity futures is challenged by the fact that many commodities share the features of consumption or production goods and investment assets. As the current backwardation cycle in silver futures demonstrates, these characteristics are not even constant over time. This dual nature of commodity derivatives was a key characteristic of the commodity pricing theory from the very beginnings in the 30s of the last century, which is best reflected in the Keynes-Hicks risk-premium/hedging-pressure approach compared to the Kaldor-Working convenience-yield-theory-of-storage approach. Unfortunately it is difficult to reconcile the two approaches if markets are incomplete, arbitrage strategies are invalidated due to scarcity or limited storability of goods. While the notion of "convenience yield" has from the beginning been widely used to characterize the distinctive features of commodity futures and remains popular today, its economic meaning is somehow obscure. We prefer an approach which strictly separates between a quasi asset price component which excludes intertemporal arbitrage, and an additional "scarcity" (or maturity-specific or incomplete markets) related price component, much in the spirit of Working (1948). This allows it to separate out asset related and commodity-specific risk factors and to test whether they impact the two price components separately. Commodity-specific risk components are related to scarcity and hedging pressure - both factors are related to inventory levels or changes, but with different sign. Our empirical results show, indeed, that both risk components co-exist and exhibit distinctive cyclical properties. We also find that asset market risk factors such as exchange rates or stock market shocks affect the term structure of futures prices in a much more homogeneous way than commodity-specific hedging pressure or scarcity shocks.