

Curriculum Vitae

DR. FABIAN HERWEG

University of Bonn
Chair of Economic Theory II
Lennéstr. 43
53113 Bonn
Germany

Date of Birth: July 19, 1980 Cologne
Citizenship: German
Phone (office): +49(0)228 739244
E-Mail: ferweg@uni-bonn.de
Web: <http://www.wiwi.uni-bonn.de/herweg>

CURRENT POSITION

Postdoctoral researcher at the Chair of Economic Theory II, Economics Department, University of Bonn.

EDUCATION

2005 – 2009 Doctoral studies at the Bonn Graduate School of Economics, Dr. (Ph.D.) received in November 2009 (summa cum laude).
Thesis: “Essays in Industrial Organization and Behavioral Economics”
2001 – 2005 Diploma in Economics (Dipl-Volksw.) at the University of Bonn, Germany in October 2005.

RESEARCH VISITS

Visiting Scholar (Postdoc), University of California, Berkeley; Economics Department (Host: Matthew Rabin), Aug. 2010 - Dec. 2010.

REFERENCES

Professor Paul Heidhues (advisor)
European School of Management and Technology
+49-30-212 311536, paul.heidhues@esmt.org

Professor Matthias Kräkel
Economics Department, University of Bonn
+49- 228- 733914, m.kraekel@uni-bonn.de

Professor Urs Schweizer
Economics Department, University of Bonn
+49- 228- 739220, schweizer@uni-bonn.de

RESEARCH INTERESTS

Behavioral Economics, Industrial Organization, (Applied) Microeconomics

PUBLICATIONS

- “Binary Payment Schemes: Moral Hazard and Loss Aversion,” with Daniel Müller and Philipp Weinschenk, *American Economic Review*, Vol. 100 (5), 2451-2477, 2010.

We modify the principal-agent model with moral hazard by assuming that the agent is expectation-based loss averse according to Köszegi and Rabin (2006, 2007). The optimal contract is a binary payment scheme even for a rich performance measure, where standard preferences predict a fully contingent contract. The logic is that, due to the stochastic reference point, increasing the number of different wages reduces the agent's expected utility without providing strong additional incentives.

Moreover, for diminutive occurrence probabilities for all signals the agent is rewarded with the fixed bonus if his performance exceeds a certain threshold.

- “Performance of Procrastinators: On the Value of Deadlines,” with Daniel Müller, *Theory and Decision*, Vol. 70, 329-366, 2011.

Earlier study has shown that procrastination can be explained by quasi-hyperbolic discounting. We present a model of effort choice over time that shifts the focus from completion of to performance on a single task. We find that being aware of the own self-control problems may reduce a person’s performance as well as his or her overall well-being, which is in contrast to the existing literature on procrastination. Extending this framework to a multi-task model, we show that interim deadlines help a quasi-hyperbolic discounter to structure his or her workload more efficiently, which in turn leads to better performance. Moreover, being restricted by deadlines increases a quasi-hyperbolic discounter’s well-being. Thus, we provide a theoretical underpinning for recent empirical evidence and numerous casual observations.

WORKING PAPERS

- “Uncertain Demand, Consumer Loss Aversion, and Flat-Rate Tariffs,” with Konrad Mierendorff, 2011.

We consider a model of firm pricing and consumer choice, where consumers are loss averse and uncertain about their future demand. Possibly, consumers in our model prefer a flat rate to a measured tariff, even though this choice does not minimize their expected billing amount—a behavior in line with ample empirical evidence. We solve for the profit-maximizing two-part tariff, which is a flat rate if (a) marginal costs are not too high, (b) loss aversion is intense, and (c) there are strong variations in demand. Moreover, we analyze the optimal nonlinear tariff. This tariff has a large flat part when a flat rate is optimal among the class of two-part tariffs.

- “Price Discrimination in Input Markets: Downstream Entry and Welfare,” with Daniel Müller, 2010.

The extant theory on price discrimination in input markets takes the structure of the intermediate industry as exogenously given. This paper endogenizes the structure of the intermediate industry and examines the effects of banning third-degree price discrimination on market structure and welfare. We identify situations where banning price discrimination leads to either higher or lower prices for all downstream firms. These findings are driven by the fact that upstream profits are discontinuous due to entry being costly. Moreover, permitting price discrimination fosters entry which in many cases improves welfare. Nevertheless, entry can also reduce welfare because it may lead to a severe inefficiency in production.

- “Price Discrimination in Input Markets: Quantity Discounts and Private Information,” with Daniel Müller, 2010.

We consider a monopolistic supplier’s optimal choice of wholesale tariffs when downstream firms are privately informed about their retail costs. Under discriminatory pricing, downstream firms that differ in their ex ante distribution of retail costs are offered different tariffs. Under uniform pricing, the same wholesale tariff is offered to all downstream firms. Irrespective of the pricing regime, the quantities procured by less efficient downstream firms are distorted downwards. In contrast to the extant literature on nonlinear wholesale tariffs, we find that banning discriminatory wholesale tariffs—the usual legal practice in the EU and US—often is beneficial for consumers and social welfare. The reason is that under uniform pricing the average probability of the downstream firms to produce at high cost determines the quantity distortion, whereas under price discrimination it depends only on the probability with which a given downstream firm produces at high cost.

- “Relaxing Competition Through Quality and Tariff Differentiation,” 2009, Bonn Econ Discussion Paper No. 2/2007.

In this paper, I compare two-part tariff competition to linear pricing in a vertically differentiated duopoly. Consumers have identical tastes for quality but differ in their preferences for quantity. The main finding is that quality differentiation occurs in equilibrium if and only if two-part tariffs are feasible. Furthermore, two-part tariff competition encourages entry, which in turn increases welfare. Nevertheless, two-part tariff competition decreases consumers’ surplus compared to linear pricing.

WORK IN PROGRESS

- “Overconfidence in the Market for Lemons” (with Daniel Müller)
- “Evaluation Bias and the Overprovision of Product Features” (with Daniel Müller)

REFEREE EXPERIENCE

American Economic Review, Bulletin of Economic Research, Economic Journal, Journal of Economic Psychology, Journal of Economics, Journal of the European Economic Association.

SELECTED PRESENTATIONS

2011	ANR-DFG Workshop on Market Power in Vertically Related Markets, Paris.
2010	IMEBE, Bilbao; Biases in Markets, WZB Berlin; Psychology and Economics Seminar, Berkeley.
2009	Nordic Conference on Behavioral and Experimental Economics, Oslo; EARIE, Ljubljana; Workshop on Behavioral Models of Market Competition, Bad Homburg.
2008	Nordic Conference on Behavioral and Experimental Economics, Copenhagen; Workshop on Industrial Organization and Antitrust Policy, Berlin; IMEBE, Alicante.
2007	Workshop on Industrial Organization and Antitrust Policy, Berlin.
2006	EARIE, Amsterdam.

SCHOLARSHIPS

2005 – 2009	Bonn Graduate School of Economics, Ph.D. Scholarship.
2010	Postdoctoral Research Scholarship (4 Month), German Academic Exchange Service (DAAD).

TEACHING EXPERIENCE

Microeconomics I and II; Teaching assistant for Prof. Nöldeke and Prof. Shaked.	Spring 2003 – Fall 2004
Industrial Organization, Master Course (taught in English); Teaching assistant for Prof. Heidhues.	Fall 2006
Behavioral Economics, Master Course (taught in English); Teaching assistant for Prof. Heidhues.	Spring 2007 and Spring 2008
BWL A (Introduction in Personal Economics and Contract Theory); Teaching assistant for Prof. Kräkel.	Fall 2007
Supervisor for several student seminars (undergraduates) in Behavioral Economics, Industrial Organization, and Competition Policy.	Fall 2008 – Fall 2010
Industrial Organization; Lecturer (joint with Eugen Kovac).	Spring 2010

LANGUAGES

German (mother tongue), English (fluent), basic level in French.

Bonn, 03/2011