

Research Abstract

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I. My current research and future agenda are at the intersection of Psychology and Economics and Contract Theory¹. My goal is to explore the effects of certain psychological attributes of managers on organizations and on markets. My dissertation consists of two essays and analyzes managerial workaholism and its influence on the contracts offered by firms to managers, on profits, on welfare and on competition.

1. "Workaholism and Managerial Incentives" (Job Market Paper, 2009)

I examine the implications of workaholism for the firm and for the manager in the context of a monopoly. There are two types of managers, workaholic and normal. In the static game, the workaholic is assigned more office time and is paid less on average than the normal. The firm either hires both types of managers or, if the reservation utility is large enough, only the workaholic. In the case of a profit maximizing principal, a firm in a society with a higher probability of workaholism has a bigger expected profit than a firm in a lower probability of workaholism society. A workaholic in a society with a larger probability of workaholism is worse off relative to one in a lower probability of workaholism society while a normal has the same utility in either society. In case the principal is a social planner, a workaholic and a normal in a higher probability of workaholism society are worse off and a firm is at least as well off than their correspondents in a society with a lower probability of workaholism. In the dynamic game, the optimal incentive compatible contract can be either separating or pooling in the first period depending on the discount factor. With separation, compared to the static contract, in the second period both types of managers are paid less and the normal manager works more while the workaholic puts the same hours worked. In the first period, the workaholic is paid more than with the static contract and assigned more vacation time while the normal manager is paid less and assigned less office time. With pooling, the second period's contract is similar to the static one. In the first period, the workaholic manager is assigned less office time than with the static contract.

¹ I have included an overview of my work in progress and planned future research with my application materials

Moreover, compared to the separating contract, the workaholic gets paid less and is assigned the same office time while the normal manager gets paid more and is assigned more office time.

2. "Managerial Workaholism and Competitive Markets" (2009)

I analyze managerial workaholism under competition a la Rothschild and Stiglitz [1976]. There exist separating Nash equilibria where either both types of managers participate, or, if the reservation utility is large enough, only workaholics participate. Firms make zero expected profit from either type of manager. The workaholics are assigned no vacation time by firms and put more effective hours worked, produce more output and are overall paid more. There exists no pooling Nash equilibrium due to "cream skimming" (Rothschild and Stiglitz [1976]). There are two types of Wilson equilibria: the separating one above and the zero expected profit incentive compatible pooling contract most preferred by the normals. The pooling equilibrium's transfer is in between the separating transfers of the two types and the pooling equilibrium vacation time is the same as the separating vacation time of the normals. There exists only a Riley (reactive) equilibrium identical to the separating equilibrium described above.

II. Pre-dissertation research in Competition and Antitrust Economics

Topic: Open Source financing schemes and competition in complementary hardware-software markets under cross market-network effects

1. "Open Source Financing Schemes and Cross-Market Network Effects" (2008)

This paper is examining Open Source platform entry financing schemes. Two cases are studied: user contributions and hardware firm investments. There is oligopolistic price competition among three types of players: software firms, an incumbent software platform (Microsoft) and hardware firms. The first type of entry occurs when the fixed development costs are lower than a threshold sum of Open Source user contributions and there are two types of equilibria, one where only part of the users contribute and an overall contribution one. The amount of contribution is user specific and increases in the user utility from Open Source development. In contrast, the hardware financed Open Source entry occurs when the development costs are too large for the Open Source users to contribute and at the same time smaller than a threshold to make it profitable for the hardware firm. The consumers are better off under the hardware financed Open Source entry if the hardware firms' costs are small enough.

2. "Bilateral Oligopolies and Exclusivity in Two Sided Network Markets" (2008)

This paper analyzes competition in two sided network markets (such as software, cable, e-commerce, videogames, television) under oligopolistic price competition both on the platform side and on the seller side. I also study the impact of exclusive dealing contracts offered by the incumbent platform to the sellers aiming at preventing entry of a rival platform. There are two types of platform entry: when the entrant platform intermediates all transactions (Tipping Platform Entry) and when both platforms intermediate transactions (Competing Platform Entry). With Tipping Platform Entry, the exclusive dealing equilibrium is characterized by total exclusion (all sellers receive and accept exclusive dealing). With Competing Platform Entry, only part of the sellers receive and accept exclusive dealing (partial exclusion). Exclusive dealing is anti-competitive and inefficient in all cases but the quantitative effects on buyers depend on the type of entry. I find the buyers' loss due to exclusive dealing is larger in the case of Tipping Platform Entry than in case of Competing Platform Entry. The first type of entry occurs only when the entrant platform's cost of intermediating transactions is relatively lower than the cost of the incumbent platform, compared to the Competing Platform Entry. As a result, the buyers pay less to connect to the platform and to consume goods. The conditions under which exclusive dealing offers are made by the incumbent platform depend on both the platforms' costs of intermediating transactions and on the size of the entry barriers the sellers face when connecting platforms. As a result, as Proposition 2 shows, with Competing Platform Entry, it is possible that the incumbent platform blocks entry of a more cost inefficient entrant platform.