



universität  
wien

Department of Economics  
Contact: Sandra Weißenböck  
+43-1-4277-37402  
[sandra.weissenboeck@univie.ac.at](mailto:sandra.weissenboeck@univie.ac.at)



INSTITUT FÜR HÖHERE STUDIEN  
INSTITUTE FOR ADVANCED STUDIES  
Vienna

Department of Economics and Finance  
Contact: Marion Kelemen  
+43-1-59991-145  
[economics@ihs.ac.at](mailto:economics@ihs.ac.at)

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# WIRTSCHAFTSTHEORETISCHES FORSCHUNGSSEMINAR

## RESEARCH SEMINAR IN ECONOMIC THEORY

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**January 15, 2009**

Hörsaal II

Institut für Höhere Studien  
Stumpergasse 56, 1060 Wien

**4:00pm**

**Gerlinde Fellner,**

*Vienna University of Economics and Business Administration:*

***“Legal threat, moral appeal and social information –  
Testing enforcement strategies in the field”***

Abstract printed on the next page

**5:30pm**

**Larry Blume,**

*Cornell University, Ithaca, NY, The Santa Fe Institute and IHS:*

***“Trading Networks with Price-Setting Agents”***

Abstract printed on the next page

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DOWNLOAD SITE FOR PAPERS (IF AVAILABLE) AND SEMINAR SCHEDULE

<http://www.univie.ac.at/vwl/EconomicTheory.html>

NOTE: Participation of advanced students in this seminar is highly recommended.

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## ABSTRACTS

**Gerlinde Fellner,**

*Vienna University of Economics and Business Administration:*

### ***“Legal threat, moral appeal and social information – Testing enforcement strategies in the field”***

As in many other countries, Austrian households who own a TV and/or a radio are required by law to register and pay a monthly TV license fee that is used to finance public broadcasting. In practice, the system is susceptible to free riding since public TV and radio programs can be received without paying and enforcement measures are weak. A specialized agency detects households who evade TV license fees and contacts them through mailings. In a natural field experiment, we vary the messages of these letters. In particular, we implement a *legal threat* – stressing the legal consequences of evasion –, *social information* – pointing out the high level of compliance – and a *moral appeal* to fair compliance behavior. In total, 48.000 mailings were sent in six different treatments and additionally, a control group was established that does not receive any mailing. Comparing new registrations between different experimental groups, we find the legal threat to be the most powerful strategy.

with Rupert Sausgruber (University of Innsbruck) and Christian Traxler (Max Planck Institute for Research on Collective Goods, Bonn).

**Larry Blume,**

*Cornell University, Ithaca, NY, The Santa Fe Institute and IHS:*

### ***“Trading Networks with Price-Setting Agents”***

In a wide range of markets, individual buyers and sellers trade through intermediaries, who determine prices via strategic considerations. Typically, not all buyers and sellers have access to the same intermediaries, and they trade at correspondingly different prices that reflect their relative amounts of power in the market. We model this phenomenon using a game in which buyers, sellers, and traders engage in trade on a graph that represents the access each buyer and seller has to the traders. We show that the resulting game always has a subgame perfect Nash equilibrium, and that all equilibria lead to an efficient allocation of goods. Finally, we analyze how the profits obtained by the traders depend on the underlying graph --- roughly, a trader can command a positive profit if and only if it has an “essential” connection in the network structure, thus providing a graph-theoretic basis for quantifying the amount of competition among traders.

with David Easley (Cornell University, Ithaca, NY), Jon Kleinberg (Cornell University, Ithaca, NY) and Eva Tardos (Cornell University, Ithaca, NY).

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