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EDITORIAL

Special Section: Economic Analyses in Business Administration

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In September 2018 and in September 2019, the German Economic Association of Business Administration, GEABA e. V., organized the XIX. and the XX. Symposium on the Economic Analysis of the Firm at Goethe-University Frankfurt and at WHU—Otto Beisheim School of Management in Vallendar, respectively. The contributions presented at both Symposia used economic instruments and methods such as game theory, contract theory, empirical analyses, and laboratory and field experiments to study topics in business research. The sessions were organized along a broad set of topics, for example, incentive systems and contract design, market entry strategies, taxation, strategic motivation, investments, tournaments, auditing, disclosure, digitalization, knowledge creation, performance measurement, and leadership. Moreover, at the anniversary Symposium in 2019, two panel sessions discussed the importance of microeconomic methods in management practice and management research.

This Special Section includes three papers presented at the Symposia and the comments made by the discussants. All articles were subject to the standard review process of Schmalenbach Business Review. The three articles with their variety in topics (behavioral economics, finance, and marketing) and methods (theory and laboratory experiments) nicely reflect the comprehensive and interdisciplinary approach of the Symposia. Moreover, two of the three articles have been coauthored by junior scientists, which underpins the central objective of the GEABA to promote young researchers.

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The first paper, “Revisiting a Remedy Against Chains of Unkindness” by Wendelin Schnedler and Nina Lucia Stephan, investigates whether emotional regulation in the form of letter writing leads to more giving of people that have been treated unkindly by being assigned to a frustrating rather than a pleasant job. Previous experiments have observed that unkindly treated people also tend to treat unrelated other people unkindly. This phenomenon has been described as a “chain of unkindness” and is driven by emotions such as frustration. A potential way out of this situation could be to give the unkindly treated people a possibility for emotional regulation and thereby stop the chain of unkindness. The authors show that letter writing as an instrument of emotional regulation—as has been tested in previous experiments—also works if the decision domains of involved subjects differ. In particular, if subject A assigns subject B to an unpleasant task, letter writing to A helps B to regulate emotions and ultimately results in B giving more money to an unrelated third party C. However, the self-reported happiness of subjects B that wrote letters did not significantly differ from those of subjects B that waited instead of writing letters. Moreover, the authors show that the effect of giving more to an unrelated third party could also be attributed to the idea of social norms, because having the opportunity of letter writing could be interpreted by B as a signal that A has behaved in a socially inacceptable way. Finally, the authors find that also subjects B that have been assigned to pleasant jobs by A give more to a third party C when they were given the opportunity to write a letter to A compared with those not having this opportunity. This result is inconsistent with prior explanations for why intervention may work, and the authors suggest the intervention needs to be critically evaluated whether it is able to stop chains of unkindness. For example, letter writing might generally increase pro-social behavior. The discussant of the paper, Ann-Cathrin Crede, provides an excellent summary of the central results and critically discusses the strengths and weaknesses of the study. Moreover, she emphasizes some questions that future research in this field could address.

The second paper, “Capital Market Equilibrium with Imperfect Competition: The Case of the ECB’s Asset Purchase Programme” by Christian Koziol and Werner Neus, investigates how the entry of price-insensitive market participants in the securities market affects demand functions, equilibrium prices, portfolio holdings, and investors’ expected utilities. The setup is nicely illustrated by the European Central Bank’s asset purchase program between March 2015 and December 2018 when it acquired bonds with a value of more than 2.5 trillion Euros. Recently, the ECB has announced further buybacks with a value of 20 billion Euros per month. The ECB has thus become a major player in the market; however, its behavior the ECB as a market participant is quite unusual, because the institution is willing to trade securities in an entirely price-inelastic way and buys them according to a communicated schedule. In a multi-period model based on the Capital Asset Pricing Model with imperfect competition, the authors examine the effects of the presence of such an actor on the market. They demonstrate that, in a perfect market, the ECB’s intervention leads to increased asset prices, which corresponds to the basic logic behind the ECB’s program. However, in an imperfect market, the timing of the purchases impact the price development, decreases market liquidity, and affects investors differently, depending on their initial holdings. The authors conclude that the introduction of

imperfect competition into the model leads to effects that diverge from the originally intended effects. Clearly, this finding should be taken into consideration when estimating the effects of such programs and evaluating their impact on the markets, which—in reality—tend to be rather imperfect. The discussion by Andreas Löffler emphasizes the need of theoretical models for analyzing the consequences of political decisions in a controlled setting. The author also states that the model results are transferable to other settings outside the ECB, for example, to stock repurchase programs, and underpins the general relevance of the basic theoretical question raised and answered in the paper.

The third paper, "The Market for Reviews: Strategic Behavior of Online Product Reviewers with Monetary Incentives" by Verena Dorner, Marcus Giamattei, and Matthias Greiff, picks up the ongoing trend that, when making their purchasing decisions, customers tend to heavily rely on reviews written by other customers. Particularly, customer reviews that have been evaluated as being very helpful, have a strong impact on the purchasing behavior of new customers. In a laboratory experiment, the authors investigate the impact of two monetary incentives schemes for reviewers on the quality of customer reviews. The first scheme includes a flat salary for providing a review, independent of review quality. The second scheme includes a tournament in which the reviewer who wrote the review that is voted as most helpful, receives a bonus payment. In the experimental design, helpfulness ratings are assigned by the other reviewers in the experiment. The authors find that under the bonus treatment, reviewers strategically put lower votes on other reviews in order to increase their own probability of achieving the highest rating and receiving the bonus. At the same time, the average quality of reviews was higher under the bonus than under the flat wage treatment. The authors conclude that the signaling power of helpfulness ratings is destroyed by strategic downvoting and that the tournament scheme can have adverse consequences. The discussion by Anna Ressi provides an excellent overview of the study and discusses some critical issues of the experiment, in particular, the transferability of the results to more realistic settings, the choice of compensation systems, and the explanatory power of the results when one considers cognitive dissonance costs in addition.

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