

# Munich Economics

No. 226

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## NEWSLETTER

### SEMINARE DIESE WOCHE *SEMINARS THIS WEEK*

Department of Economics

Hans-Moeller-Seminar

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Dienstag, 10. Januar  
17:00 - 18:00 Uhr  
Bibliothek des Seminars für Internationale  
Wirtschaftsbeziehungen  
Ludwigstr. 28/II Vgb., Raum 221

**Paul Heidhues**  
(ESMT European School of  
Management and Technology, Berlin)  
“The Market for Deceptive Products”

*Abstract: see page 3*

**COFFEE SHOP**  
*COFFEE SHOP*

Mittwoch, 11. Januar, 13:30 - 14:00 Uhr  
Library of the Seminar for Comparative Economics  
Akademiestr. 1/III

*All members and guests of  
the department are welcome*

**BROTZEIT-SEMINARE**  
*BROWN BAG SEMINARS*

**CESifo Group Seminar**  
Montag, 9. Januar, 12:00 - 13:00 Uhr  
Schackstr. 4/II, Room 207

**Ngo Van Long**  
(Mc Gill University)  
“Strategic Separation from Input Suppliers: A Dynamic  
Markovian Approach”

**Micro Workshop**  
**(Herweg, Kocher, Schmidt)**  
Montag, 9. Januar, 12:30 - 13:30 Uhr  
Public Finance Library  
Ludwigstr. 28/III Vgb., Room 301

**Rosa Ferrer**  
(University Pompeu Fabra)  
“Performance Pay, Gender Inequality, and Young Lawyers”

**Public Finance and Economic Policy Seminar**  
**(Haufler, Holzner, Wollmershäuser)**  
Montag, 9. Januar, 13:30 - 14:30 Uhr  
Ludwigstr. 28, Rgb., Room 024

**Marco Sahm**  
(Technische Universität München)  
“Ratio, Intuition and Time”

**IO and Trade Seminar**  
**(Eckel, Schnitzer)**  
Dienstag, 10. Januar, 12:15 - 13:45 Uhr  
Library of the Seminar for Comparative Economics  
Akademiestr. 1/III

**Michael Irlacher**  
“Multi-Product Offshoring”

**Research Workshop “Empirical Economics”**  
**(Winter, Danzer, Bucher-Koenen)**  
Dienstag, 10. Januar, 14:00 - 15:30 Uhr  
Ludwigstr. 28, Rgb., Room 024

**Guido Heineck**  
(University of Bamberg)  
“Parental Risk Attitudes and Children's Secondary  
School Track Choice”

**ifo Lunchtime Seminar**  
Mittwoch, 11. Januar, 12:00 - 13:00 Uhr  
Poschingerstr. 5, Ludwig-Erhard-Saal

**Benjamin Jung**  
(University of Tübingen)  
“Optimal Tariffs, Retaliation and the Welfare Loss from Tariff  
Wars in the Melitz Model”

Dienstag, 10. Januar, 17:00 - 18:00 Uhr

Paul Heidhues

(ESMT European School of Management and Technology, Berlin)

“The Market for Deceptive Products”

We develop a model of price competition in a homogenous product that has an “additional price” firms can hide from naive consumers, and in which there is a floor on the product’s transparent up-front price. We show that the incentive to unshroud the additional prices is limited by the consideration that it lowers demand by revealing to consumers that the product is expensive, so that a profitable deceptive equilibrium can often be maintained by firms. Perversely, if the product is socially wasteful, unshrouding would eliminate the industry, so in this case a profitable deceptive equilibrium always exists. If the product is socially valuable and there are sufficiently many firms in the industry, at least one is willing to unshroud, eliminating the deceptive equilibrium. Selling an inferior product facilitates profitable deception because a superior product both diverts sophisticated consumers and renders the inferior product socially wasteful in comparison. Finally, because learning ways to charge consumers higher additional prices lowers the incentive to unshroud, a firm may have a motive to make such exploitative innovations and pass them to its competitors. We also discuss possible microfoundations for our key assumption of a price floor, and identify some policy implications of our findings.

## GASTWISSENSCHAFTLER

*VITORS*

Kenneth Kletzer	University of California, Santa Cruz	CES	07.01. – 25.02.
Ngo Van Long	McGill University, USA	CESifo	12.09.11 – 31.08.
Benjamin Jung	University of Tübingen	CESifo	09.01. – 20.01.

## VERSCHIEDENES

*MISCELLANEOUS*

### **MEA-Seminar am MPI für Sozialrecht und Sozialpolitik**

**Mittwoch, 11. Januar, 10:30 – 12:00** Uhr, Raum 313, Amalienstraße 33  
Sebastian Kluth: “Subjective Life-Expectancy and Private Pension Choice”

Munich Economics Newsletter

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