

Contents

Foreword.....	V
Preface.....	VII
Contents	IX
Figures.....	XIII
Tables	XV
1. Experience and Credence Goods - An Introduction	1
2. Experience Characteristics and Moral Hazard in Team Sports.....	7
2.1. Introduction.....	7
2.2 The Model.....	10
2.2.1 Actors and Decisions	10
2.2.2 The Club	11
2.2.3 The Player.....	12
2.2.4 The Role of the International Appearance and the Transfer Market.....	13
2.2.5 Additional Remarks	14
2.2.6 The Pay-offs.....	16
2.3 Optimal Incentives	17

2.3.1 Determinants of the Participation and the Trade Decision Chain	17
2.3.2 Optimal Contract Components	19
2.3.3 Specification with Square Root Utility	20
2.3.4 Agency Costs of the Releasing Practice	23
2.4 Compensation Regimes	24
2.4.1 Compensation Regime Club	24
2.4.2 Compensation Regime Player	25
2.4.3 Extension I: Public Pressure	30
2.4.4 Extension II: Renegotiations	34
2.5 Transfer Market Externalities and Compensation	37
2.5.1 The Formulation of the Transfer Market with Information Externality	37
2.5.2 Participation and Incentive Constraints	40
2.5.3 Cost Minimization and the Optimal Contract	42
2.5.4 A Specific Case with Logarithmic Utility	44
2.6 Discussion	45
3. Credence Characteristics and Strategic Human Capital Selection	47
3.1 Introduction.....	47
3.2 The Origins of Celibacy in the Catholic Church	49
3.3 Celibacy as a Strategic Variable	51
3.4 The Model.....	55
3.4.1 Stage Three: Individuals' Participation and Contribution Decisions	56
3.4.1.1 Lifetime and Afterlife Utility	56
3.4.1.2. Believer's Contribution Decision	59
3.4.2 Stage Two: the Priests' Self Selection and the Church's Perceived Orientation	61
3.4.2.1 The Priests' Self Selection Decision	62
3.4.2.2 Derivation of the Church's Perceived Orientation	63

3.4.3 Stage One: The Church's Optimal Celibacy Strategy	65
3.5 Discussion	68
3.5.1 The Lack of Priests	68
3.5.2 The Impacts of Increased Income and Higher Aging.....	70
3.5.3 Changed Moral Standards Regarding Homosexuality	72
3.6 Summary and Conclusions	73
4. Experience Goods, Tournaments, and Oligopolistic Markets.....	77
4.1 Introduction.....	77
4.2 The Model.....	80
4.2.1 The Demand Side	80
4.2.2 The Production Side	82
4.3 Competition	83
4.3.1 Signal Market Competition	83
4.3.2 Symmetric Firms	85
4.3.3 Product Configuration Strategy	89
4.3.4 Strategies in the Product Market Competition	92
4.3.5 Strategies in the Signal Market Competition.....	96
4.4 Asymmetric Firms	98
4.5 Discussion	101
4.6 Appendix.....	102
5. Summary and Conclusions	109
References.....	113
Index.....	119