Does Ownership Matter?
Product Prices and Product Quality in the German Wine Industry

Bernd Frick*

Draft; please do not quote; comments highly welcome

Bernd Frick
Ernst-Moritz-Arndt-Universität Greifswald
Rechts- und Staatswissenschaftliche Fakultät
Friedrich-Loeffler-Strasse 70
D – 17489 Greifswald
Tel. +49 (0)3834 86-2471
Fax +49 (0)3834 86-2470
E-Mail frick@mail.uni-greifswald.de

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Abstract

There is widespread belief among economists that the separation of ownership and control tends to reduce the performance of companies while competition tends to improve it. Irrespective of their theoretical appeal these assumptions have not been tested very often. Using an unbalanced panel of about 300 German wineries, the paper shows that firms run by “managing directors” produce higher quality and more expensive wines than otherwise identical owner-managed firms. Since firms have identical production functions and due to the intense competition in the sector under consideration it is very likely that differences in human capital explain the observed productivity differences.

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