

## APPENDIX

Let  $\delta$  denote durability or the probability that a unit produced in period 1 will remain in period 2. We assume in what follows the conditions that guarantee interior solutions.<sup>1</sup> Then, we have the following two problems:

### A. DUOPOLIST RENTER

In this case, the manager of firm  $i$  solves

$$\max_{\{x_1^i, x_2^i\}} \left[ e - fx_1^i - gx_1^j - \alpha_1^i c_1 + v\alpha_2^i \delta c_2 \right] x_1^i + v \left[ e - fx_2^i - gx_2^j - \alpha_2^i c_2 \right] x_2^i.$$

The first order conditions imply the optimal production levels for firm  $i$ :

$$x_1^i = -\frac{2\alpha_1^i c_1 f - 2ef - \alpha_1^j c_1 g + eg - 2\alpha_2^i c_2 f v \delta + v g \alpha_2^j c_2 \delta}{4f^2 - g^2}, \quad (1)$$

$$x_2^i = -\frac{2\alpha_2^i c_2 f - 2ef - \alpha_2^j c_2 g + eg}{4f^2 - g^2}. \quad (2)$$

Holding the managers to their reservation wages yields the following program for the firm:

$$\max_{\{\alpha_1^i, \alpha_2^i\}} \left[ e - fx_1^i - gx_1^j - c_1 + v\delta c_2 \right] x_1^i + v \left[ e - fx_2^i - gx_2^j - c_2 \right] x_2^i$$

subject to (1) and (2). The first order conditions of this problem imply that the optimal incentive parameters for the manager are:

$$\begin{aligned} \alpha_2^{dr}(\delta) &= -\frac{-4c_2 f^2 - 2c_2 f g + eg^2}{(4f^2 + 2fg - g^2) c_2} < 1, \\ \alpha_1^{dr}(\delta) &= -\frac{-4c_1 f^2 - 2c_1 f g + eg^2 + v e g^2 \delta}{(4f^2 + 2fg - g^2) c_1} < 1. \end{aligned}$$

### B. DUOPOLIST SELLER

In the differentiated Cournot game the manager solves at  $t = 2$ :

$$\max_{\{x_2^i\}} \left[ e - fx_2^i - gx_2^j - \alpha_2^i c_2 \right] (x_2^i - \delta x_1^i).$$

From the first order condition we obtain

$$x_2^i = -\frac{2\alpha_2^i c_2 f - 2ef - \alpha_2^j c_2 g + eg - 2f^2 x_1^i \delta + f g x_1^j \delta}{4f^2 - g^2}. \quad (3)$$

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<sup>1</sup>These conditions imply  $e > c_2$  and  $e > c_1 - v\delta c_2$ .

Then, at time  $t = 1$ , the manager will solve for the  $x_1^i$  such that

$$\max_{\{x_1^i\}} \left[ e - fx_1^i - gx_1^j - \alpha_1^i c_1 + v\alpha_2^i \delta c_2 \right] x_1^i + v \left[ e - fx_2^i - gx_2^j - \alpha_2^i c_2 \right] x_2^i,$$

subject to (3). Solving the first-order conditions for the optimal production levels as functions of contracts for firm  $i$ , we can then solve for the first stage. Firm  $i$  will choose  $\{\alpha_1^i(\delta), \alpha_2^i(\delta)\}$  to maximize the present value of its total profits:

$$\max_{\{\alpha_1^i, \alpha_2^i\}} \left[ e - fx_1^i - gx_1^j - c_1 + v\delta c_2 \right] x_1^i + v \left[ e - fx_2^i - gx_2^j - c_2 \right] x_2^i.$$

Restricting our attention to the case in which  $f = g$ , we obtain that the incentive parameters are:

$$\alpha_2^{ds}(\delta) = \frac{-c_1\delta(27 - 7v\delta^2) + c_2(51v\delta^2 + 7v^2\delta^2 + 90) + e(7\delta^3v - 3v\delta^2 + 27\delta - 15)}{3c_2(25 + 7v)},$$

$$\alpha_1^{ds}(\delta) = \frac{v\delta c_2 \mathcal{A} - e\mathcal{B} + c_1\mathcal{C}}{9c_1(25 + 7v\delta^2)},$$

with  $\mathcal{A} = 7v^2\delta^2 + 28v\delta^2 - 3$ ,  $\mathcal{B} = 45 + 42v\delta - 22v\delta^2 + 6v^2\delta^3 - 7v^2\delta^4$ ,  $\mathcal{C} = 270 + 41v\delta^2 - 7v^2\delta^4$ . It can be shown that:

$$\frac{d\alpha_2^{ds}(\delta)}{d\delta} > 0, \forall \delta.$$

Lastly, the incentive parameters for the monopolist seller can be obtained in a similar fashion. They are:

$$\alpha_2^{ms}(\delta) = \frac{\delta(e - c_1) + c_2(2 + v\delta^2)}{2c_2} > 1, \forall \delta$$

$$\alpha_1^{ms}(\delta) = \frac{v\delta^2 e + c_1(4 - v\delta^2) + v^2\delta^3 c_2}{4c_1} > 1, \forall \delta$$

It can be shown that:

$$\frac{d\alpha_t^{ms}(\delta)}{d\delta} > 0, \forall \delta, \forall t = 1, 2.$$

and

$$\alpha_t^{ms}(\delta) > \alpha_t^{ds}(\delta), \forall \delta, \forall t = 1, 2.$$

**TABLE 1**  
**Components of Executive Compensation in 1995**

Payment Category (Thousands of Dollars)	<u>Mean</u>	<u>Standard Deviation</u>	<u>Median</u>
<b><u>CEOs (N = 1519)</u></b>			
Total Compensation	2205	3446	1276
Short Term Compensation	1060	1882	770
Salary	535	299	475
Bonus	491	1794	250
All Other Annual	33	139	0
Long-Term Compensation	1146	2497	438
Restricted Stock Granted	152	638	0
Stock Options Granted	793	2148	244
Long Term Incentive Plan Payouts	116	529	0
All Other Long-Term	84	326	17
<b><u>Non-CEOs (N = 6305)</u></b>			
Total Compensation	927	1353	550
Short-Term Compensation	464	441	355
Salary	275	150	238
Bonus	183	336	100
All Other Annual	16	92	0
Long-Term Compensation	454	1089	162
Restricted Stock Granted	58	271	0
Stock Options Granted	298	891	92
Long Term Incentive Plan Payouts	47	211	0
All Other Long-Term	51	377	9

Notes:

1. Source: Tabulations of Standard and Poor's *ExecuComp* dataset.
2. CEOs are those executives at each company that held the CEO position for the majority of the year.  
Non-CEOs are the other four highest paid executives at each company ranked by salary plus bonus.

**TABLE 2****4-digit Concentration Ratios by 2-digit SIC Code in Manufacturing**

2-Digit SIC Code and Description	Number of 4-digit SICs	Herfindahl of constituent 4-digit SICs			Median number of years of property class
		Mean	Min.	Max.	
20. Food and kindred products	22	1076.1	181	2253	0
21. Tobacco products	2	2090.6	1923	2175	0
22. Textile mill products	8	740.7	243	1679	5
23. Apparel and other textile products	8	805.3	61	2338	5
24. Lumber and wood products	5	283.6	78	491	15
25. Furniture and fixtures	5	521.7	167	1043	10
26. Paper and allied products	5	453.9	143	1451	3
27. Printing and publishing	8	404.2	19	2922	7
28. Chemicals and allied products	22	640.4	190	2999	0
29. Petroleum and Coal products	2	414.8	414	431	0
30. Rubber and miscellns. plastic products	7	386.2	15	1743	15
31. Leather and leather products	3	786.0	513	1401	15
32. Stone clay and glass products	5	891.3	472	1765	15
33. Primary metal industries	11	859.0	201	2827	20
34. Fabricated metal products	16	348.7	31	1457	20
35. Industrial machinery and equipment	24	660.5	80	2549	20
36. Electronic and other electric equipment	26	745.5	180	2929	10
37. Transportation equipment	11	1538.7	428	2717	20
38. Instruments and related products	15	467.3	148	2408	10
39. Miscellaneous manufacturing industries	6	265.8	74	808	7
All Manufacturing Industries	211	699.1	15	2999	10

Notes: Tabulations of 1992 *Census of Manufactures* and *ExecuComp* datasets. The average Herfindahl index for each 2-digit SIC is the average of the Herfindahl indexes (defined at the 4-digit SIC level) for the sample firms in that 2-digit SIC. The median number of years of the property class is the median number of years over which the basis of property can be recovered for the sample firms at the 4-digit SIC level under the General Depreciation System of MACRS.

**TABLE 3**

**Estimated Sensitivity and Elasticity of CEO Salary plus Bonus,  
and Total Compensation with Respect to Firm Revenues**  
(*t* statistics in parentheses)

	<i>dpay / dsales</i> (x 1,000)		<i>Elasticity</i>	
	Salary plus Bonus	Total Compensation	Salary plus Bonus	Total Compensation
<u>Durability</u>				
Quartile Q1 (Non-durable property)	0.051 (4.27) R <sup>2</sup> = 0.12	0.070 (3.02) R <sup>2</sup> = 0.11	0.307 (3.18) R <sup>2</sup> = 0.12	0.359 (4.15) R <sup>2</sup> = 0.11
Quartile Q2 (3-5-7 year property)	0.040 (3.82) R <sup>2</sup> = 0.15	0.057 (5.60) R <sup>2</sup> = 0.20	0.227 (2.81) R <sup>2</sup> = 0.15	0.317 (3.82) R <sup>2</sup> = 0.20
Quartile Q3 (10-15 year property)	0.035 (5.01) R <sup>2</sup> = 0.20	0.043 (2.87) R <sup>2</sup> = 0.27	0.182 (3.60) R <sup>2</sup> = 0.20	0.237 (2.96) R <sup>2</sup> = 0.27
Quartile Q4 (20-year and durable property)	0.021 (2.17) R <sup>2</sup> = 0.23	0.030 (3.50) R <sup>2</sup> = 0.34	0.151 (5.21) R <sup>2</sup> = 0.23	0.198 (3.29) R <sup>2</sup> = 0.27

Wald Tests for the Equality of Slopes Across Durability Quartiles (p values in parentheses)

	Q1 vs Q2	Q2 vs Q3	Q3 vs Q4
<u>dpay/dsales</u>			
Salary plus Bonus	7.55 (0.006)	4.17 (0.041)	6.22 (0.012)
Total Compensation	9.23 (0.002)	4.63 (0.031)	7.17 (0.007)
<u>Elasticity</u>			
Salary plus Bonus	5.88 (0.015)	4.57 (0.032)	4.61 (0.031)
Total Compensation	6.08 (0.013)	5.40 (0.022)	8.77 (0.003)

NOTES: Sensitivities are computed from regressions of Salary plus Bonus on Sales, and Total Compensation on Sales, respectively. Elasticities are computed from regressions of Log (Salary plus Bonus) on Log (Sales), and Log (Total Compensation) on Log (Sales), respectively. Total Compensation is defined as the sum of Salary, Bonus and Long-Term Compensation. Compensation is denominated in thousands of dollars and firm performance in millions of constant 1995 dollars. R<sup>2</sup> is in brackets. Durability is measured following the property classes used by the General Depreciation System of the Internal Revenue System. Durability quartiles are defined as follows: Q1: non-durable property; Q2: 3-5-7 year property; Q3: 10-15 year property; Q4: 20-year and durable property.

**TABLE 4****Longer-Term Compensation in Durable Goods Firms**

This table reports the result of robust regressions where the dependent variable is the proportion of long-term compensation in total compensation. Robust regressions are OLS regressions which lower the weight on observations with large residuals (Hamilton, 1991). Long-term compensation includes restricted stock granted (valued at face value), stock options (valued at grant date using *ExecuComp*'s modified Black-Scholes formula), long-term incentive plan payouts, and all other long-term compensation. In addition to dummy variables for durability quartiles, the regressions include controls for size, performance, industry concentration index, and dummy variables for years and for 2-digit SICs. *t*-statistics are in parenthesis.

*Panel A*

## Durability Quartile

	<u>Intercept</u>	<u>Quartile Q2</u>	<u>Quartile Q3</u>	<u>Quartile Q4</u>	<u>N</u>	<u>R<sup>2</sup></u>
CEOs	.27 (4.01)	.09 (2.11)	.12 (2.02)	.17 (3.17)	1,519	.57
Non-CEOs	.23 (4.37)	.06 (3.02)	.10 (2.27)	.15 (2.23)	6,305	.51

*Panel B: Testing for the Equality of Slopes Across Durability Quartiles*

	Q1 vs Q2	Q2 vs Q3	Q3 vs Q4
CEOs			
<i>F</i> statistic ( <i>p</i> value)	7.48 (0.006)	4.87 (0.027)	6.47 (0.011)
Wald statistic ( <i>p</i> value)	9.08 (0.002)	5.20 (0.022)	7.32 (0.006)
Non-CEOs			
<i>F</i> statistic ( <i>p</i> value)	4.09 (0.043)	4.58 (0.032)	5.92 (0.015)
Wald statistic ( <i>p</i> value)	6.60 (0.010)	4.20 (0.040)	4.71 (0.029)

## NOTES:

- Durability is measured following the property classes used by the General Depreciation System of the Internal Revenue System. Durability quartiles are defined as follows: Q1: non-durable property, Q2: 3-5-7 year property; Q3: 10-15 year property; Q4: 20-year and durable property. Firm performance is in millions of constant 1995 dollars.
- The *F* tests assume equality of variances, an assumption that is not rejected by the Goldfeld-Quandt test and Breusch-Pagan Lagrange multiplier tests. The Wald test allows for differences in variances. Given the large sample size this test is valid whether or not the disturbance variances are the same.

**TABLE 5**

**Differences in CEO Pay-Performance Sensitivity  
Across Durability Quartiles Conditional on Sales**

	Ln (Salary plus Bonus)				Ln (Total Compensation)				Total Wealth CEO Change			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Firm return in current year	0.102 (0.017)	0.143 (0.021)	0.166 (0.010)	0.217 (0.021)	0.192 (0.039)	0.239 (0.038)	0.277 (0.041)	0.357 (0.040)	0.091 (0.004)	0.122 (0.003)	0.156 (0.007)	0.153 (0.007)
Firm return in previous year	0.032 (0.010)	0.053 (0.015)	0.077 (0.012)	0.082 (0.017)	-0.027 (0.028)	-0.017 (0.022)	-0.020 (0.027)	-0.031 (0.018)	0.010 (0.010)	0.006 (0.010)	0.025 (0.007)	0.032 (0.008)
$R^2$	0.06	0.06	0.05	0.05	0.06	0.05	0.05	0.04	0.09	0.07	0.04	0.07

Notes: The log difference of two pay measures is regressed on firm's returns in current and previous year in the first two panels (eight columns), respectively, conditional on sales, for given durability quartile. Durability is measured following the property classes used by the General Depreciation System of the Internal Revenue System. Durability quartiles are defined as follows: Q1: non-durable property, Q2: 3-5-7 year property; Q3: 10-15 year property; Q4: 20-year and durable property. Total compensation is short-term plus long-term compensation, and does *not* include the revaluation of stock and stock option holdings. In the last panel (4 columns), Total CEO wealth, which includes total compensation plus changes in the value of stock holdings and stock option holdings is regressed on firm's returns in current and previous year conditional on sales. Compensation is denominated in thousands of dollars and firm performance in millions of constant 1995 dollars. Regressions are robust regressions, and include year dummies. We use the STATA version 5 rreg command which uses Huber weight iterations followed by biweight iterations (Hamilton (1991)). In parenthesis are Huber-White robust standard errors that allow for autocorrelation in the errors among observations for each CEO. Returns are calculated as changes in firm market value over the firm's fiscal year.

**TABLE 6A****Median Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Total Compensation**

Regression Coefficients	Dependent Variable in Levels		
Own Performance	0.0412 (0.0071)	0.0178 (0.0096)	0.0520 (0.0029)
Rival Performance		0.1782 (0.0103)	-0.0270 (0.0079)
Own Performance x Herfindahl percentile	0.1528 (0.0098)	0.1602 (0.0140)	0.1611 (0.0122)
Rival Performance x Herfindahl percentile		-0.1552 (0.0141)	-0.0941 (0.0674)
Herfindahl percentile	182.1342 (15.2312)	171.5220 (23.9632)	180.1582 (18.4092)
CEO Dummy	792.4076 (17.3303)	717.2623 (13.0302)	851.328 (26.5051)
Durability Quartile	0.0004 (0.0001)		0.0004 (0.0001)
Durability x Herfindahl	36.4202 (10.3271)		37.2133 (11.4202)
Own Sales	-0.0068 (0.0020)		-0.0062 (0.0012)
Rival Sales			0.0008 (0.0002)
Durability Quartile x Own Sales	-0.0388 (0.0080)		-0.0432 (0.0065)
Durability Quartile x Rival Sales			0.0204 (0.0024)
Durability Quartile x Own Performance	0.0619 (0.0015)		0.0630 (0.0044)
Durability Quartile x Rival Performance			-0.0436 (0.0094)
Own Sales x Herfindahl	-0.0008 (0.0003)		-0.0024 (0.0008)
Rival Sales x Herfindahl			-0.0003 (0.0001)
Pseudo R-squared	0.33	0.14	0.48

Note: Regressions include dummy variables for years and for 2-digit SICs. Std. dev in parenthesis.

**TABLE 6B****Median Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Short-Term Compensation**

Regression Coefficients	Dependent Variable in Levels		
Own Performance	0.0307 (0.0051)	0.0369 (0.0035)	0.0643 (0.0078)
Rival Performance		0.0450 (0.0063)	-0.0023 (0.0061)
Own Performance x Herfindahl percentile	0.0817 (0.0130)	0.0380 (0.0086)	0.0598 (0.0117)
Rival Performance x Herfindahl percentile		-0.0172 (0.0132)	-0.0403 (0.0310)
Herfindahl percentile	57.2472 (12.3120)	56.9623 (15.0430)	66.1356 (9.2802)
CEO Dummy	428.0017 (11.8928)	394.0428 (8.1906)	500.3027 (25.9090)
Durability Quartile	0.0003 (0.0001)		0.0002 (0.0000)
Durability x Herfindahl	9.8722 (2.0260)		14.2366 (3.4080)
Own Sales	-0.0029 (0.0010)		-0.0043 (0.0016)
Rival Sales			-0.0004 (0.0007)
Durability Quartile x Own Sales	-0.0184 (0.0059)		-0.0207 (0.0090)
Durability Quartile x Rival Sales			-0.0071 (0.0024)
Durability Quartile x Own Performance	0.0327 (0.0080)		0.0292 (0.0088)
Durability Quartile x Rival Performance			0.0050 (0.0034)
Own Sales x Herfindahl	-0.0002 (0.0016)		-0.0022 (0.0011)
Rival Sales x Herfindahl			-0.0002 (0.0001)
Pseudo R-squared	0.26	0.16	0.36

Note: Regressions include dummy variables for years and for 2-digit SICs. Std. dev in parenthesis.

**TABLE 7A****Median Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Total Compensation**

Regression Coefficients	Dependent Variable in Differences		
Own Performance	0.0117 (0.0032)	0.0051 (0.0053)	0.0145 (0.0040)
Rival Performance		0.0411 (0.0060)	-0.0113 (0.0026)
Own Performance x Herfindahl percentile	0.0489 (0.0080)	0.0446 (0.0075)	0.0564 (0.0107)
Rival Performance x Herfindahl percentile		-0.0546 (0.0080)	-0.0239 (0.0086)
Herfindahl percentile	38.3276 (6.8021)	35.4608 (10.3290)	36.1270 (5.8020)
CEO Dummy	36.1217 (9.482)	37.4774 (6.9144)	37.9204 (8.1717)
Durability Quartile	0.0006 (0.0001)		0.0004 (0.0001)
Durability x Herfindahl	7.5245 (1.7172)		6.8202 (2.0341)
Own Sales	-0.0020 (0.0007)		-0.0028 (0.0007)
Rival Sales			0.0004 (0.0001)
Durability Quartile x Own Sales	-0.0153 (0.0035)		-0.0259 (0.0051)
Durability Quartile x Rival Sales			0.0102 (0.0033)
Durability Quartile x Own Performance	0.0425 (0.0044)		0.0550 (0.0071)
Durability Quartile x Rival Performance			-0.0154 (0.0041)
Own Sales x Herfindahl	-0.0008 (0.0003)		-0.0012 (0.0005)
Rival Sales x Herfindahl			-0.0009 (0.0012)
Pseudo R-squared	0.10	0.0153	0.18

Note: Regressions include dummy variables for years. Std. dev in parenthesis.

**TABLE 7B****Median Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Short-Term Compensation**

Regression Coefficients	Dependent Variable in Differences		
Own Performance	0.0117 (0.0030)	0.0151 (0.0014)	0.0235 (0.0043)
Rival Performance		-0.0030 (0.0015)	-0.0030 (0.0014)
Own Performance x Herfindahl percentile	0.0148 (0.0043)	0.0066 (0.0020)	0.0114 (0.0036)
Rival Performance x Herfindahl percentile		-0.0039 (0.0020)	-0.0202 (0.0057)
Herfindahl percentile	8.8317 (2.0106)	4.2562 (3.0917)	15.7302 (4.3072)
CEO Dummy	38.3232 (7.5026)	28.7702 (2.0826)	42.3281 (6.1378)
Durability Quartile	0.0003 (0.0002)		0.0003 (0.0001)
Durability x Herfindahl	1.6326 (0.3802)		3.1726 (0.7230)
Own Sales	-0.0009 (0.0011)		-0.0016 (0.0004)
Rival Sales			-0.0004 (0.0004)
Durability Quartile x Own Sales	-0.0087 (0.0020)		-0.0106 (0.0032)
Durability Quartile x Rival Sales			-0.0042 (0.0017)
Durability Quartile x Own Performance	0.0144 (0.0052)		0.0092 (0.0027)
Durability Quartile x Rival Performance			0.0037 (0.0022)
Own Sales x Herfindahl	-0.0002 (0.0027)		-0.0019 (0.0010)
Rival Sales x Herfindahl			-0.0006 (0.0011)
Pseudo R-squared	0.09	0.0261	0.22

Note: Regressions include dummy variables for years. Std. dev in parenthesis.

**TABLE 8A****Median Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Total Compensation**

Regression Coefficients	All Variables in Differences		
Own Performance	0.0169 (0.0062)	0.0092 (0.0032)	0.0211 (0.0050)
Rival Performance		0.0352 (0.0034)	-0.0166 (0.0066)
Own Performance x Herfindahl percentile	0.0028 (0.0041)	-0.0046 (0.0047)	0.0061 (0.0027)
Rival Performance x Herfindahl percentile		-0.0501 (0.0051)	-0.0310 (0.0101)
Herfindahl percentile	_____	_____	_____
CEO Dummy	62.1161 (30.4121)	-9.1066 (28.3582)	50.0321 (12.0992)
Durability Quartile	_____	_____	_____
Own Sales	-0.0014 (0.0003)		-0.0030 (0.0009)
Rival Sales			0.0012 (0.0004)
Durability Quartile x Own Sales	-0.0092 (0.0032)		-0.0088 (0.0023)
Durability Quartile x Rival Sales			0.0144 (0.0051)
Durability Quartile x Own Performance	0.0601 (0.0213)		0.0441 (0.0108)
Durability Quartile x Rival Performance			-0.0217 (0.0080)
Own Sales x Herfindahl	-0.0021 (0.0037)		-0.0002 (0.0032)
Rival Sales x Herfindahl			-0.0011 (0.0051)
Pseudo R-squared	0.07	0.0038	0.09

Note: Regressions include dummy variables for years. Std. dev in parenthesis.

**TABLE 8B****Median Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Short-Term Compensation**

Regression Coefficients	All Variables in Differences		
Own Performance	0.0082 (0.0030)	0.0102 (0.0014)	0.0167 (0.0022)
Rival Performance		-0.0012 (0.0012)	-0.0017 (0.0010)
Own Performance x Herfindahl percentile	0.0012 (0.0004)	0.0092 (0.0020)	0.0010 (0.0002)
Rival Performance x Herfindahl percentile		-0.0032 (0.0018)	-0.0172 (0.0201)
Herfindahl percentile	_____	_____	_____
CEO Dummy	27.7210 (8.8231)	126.4026 (11.3410)	91.3211 (14.0021)
Durability Quartile	_____	_____	_____
Own Sales	-0.0007 (0.0005)		-0.0024 (0.0007)
Rival Sales			-0.0005 (0.0002)
Durability Quartile x Own Sales	-0.0049 (0.0030)		-0.0070 (0.0017)
Durability Quartile x Rival Sales			-0.0006 (0.0000)
Durability Quartile x Own Performance	0.0401 (0.0117)		0.0217 (0.0091)
Durability Quartile x Rival Performance			0.0008 (0.0042)
Own Sales x Herfindahl	-0.0014 (0.0010)		-0.0039 (0.0028)
Rival Sales x Herfindahl			-0.0002 (0.0011)
Pseudo R-squared	0.06	0.0075	0.08

Note: Regressions include dummy variables for years. Std. dev in parenthesis.

**TABLE 9A****OLS Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Total Compensation**

Regression Coefficients	Dependent Variable		All Variables in Differences
	in Levels	in Differences	
Own Performance	0.0572 (0.0173)	0.0428 (0.0108)	0.0562 (0.0257)
Rival Performance	-0.0880 (0.0304)	-0.0526 (0.0180)	-0.0492 (0.0192)
Own Performance x Herfindahl percentile	0.2138 (0.0820)	-0.0869 (0.0294)	0.0402 (0.0262)
Rival Performance x Herfindahl percentile	-0.1205 (0.0888)	-0.0830 (0.0266)	-0.0292 (0.0181)
Herfindahl percentile	430.2820 (67.1288)	142.3579 (43.6681)	_____
CEO Dummy	917.2633 (119.0064)	129.2260 (50.0268)	73.2216 (40.2643)
Durability Quartile	0.0024 (0.0009)	0.0014 (0.0003)	_____
Durability x Herfindahl	78.1248 (21.4260)	20.4284 (5.0732)	_____
Own Sales	-0.0090 (0.0030)	-0.0065 (0.0027)	-0.0082 (0.0036)
Rival Sales	-0.0028 (0.0022)	0.0016 (0.0010)	0.0029 (0.0006)
Durability Quartile x Own Sales	-0.0930 (0.0190)	-0.0330 (0.0092)	-0.0127 (0.0062)
Durability Quartile x Rival Sales	0.0414 (0.0120)	0.0204 (0.0150)	0.0299 (0.0132)
Durability Quartile x Own Performance	0.0614 (0.0117)	0.1016 (0.0251)	0.0599 (0.0327)
Durability Quartile x Rival Performance	-0.0647 (0.0260)	-0.0328 (0.0114)	-0.0296 (0.0272)
Own Sales x Herfindahl	-0.0081 (0.0035)	-0.0056 (0.0016)	-0.0018 (0.0066)
Rival Sales x Herfindahl	-0.0010 (0.0023)	0.0049 (0.0022)	-0.0043 (0.0060)
Adjusted R-squared	0.29	0.18	0.05

Note: Regressions include dummy variables for years. Std. dev in parenthesis.

**TABLE 9B****OLS Regressions of Durability and Pay-Performance Sensitivity  
Dependent Variable: Short-Term Compensation**

Regression Coefficients	Dependent Variable		All Variables in Differences
	in Levels	in Differences	
Own Performance	0.0522 (0.0160)	0.0257 (0.0146)	0.0246 (0.0080)
Rival Performance	-0.0076 (0.0041)	-0.0022 (0.0046)	-0.0070 (0.0036)
Own Performance x Herfindahl percentile	0.0918 (0.0263)	0.0228 (0.0096)	0.0042 (0.0020)
Rival Performance x Herfindahl percentile	-0.0631 (0.0175)	-0.0821 (0.0189)	-0.0199 (0.0177)
Herfindahl percentile	168.2426 (34.4266)	80.4202 (17.0324)	-----
CEO Dummy	668.3422 (42.0028)	158.0350 (42.0402)	83.2612 (40.0212)
Durability Quartile	0.0006 (0.0002)	0.0008 (0.0003)	-----
Durability x Herfindahl	36.4202 (10.3271)	17.1070 (4.6082)	37.2133 (11.4202)
Own Sales	-0.0069 (0.0021)	-0.0040 (0.0025)	-0.0020 (0.0009)
Rival Sales	-0.0012 (0.0005)	-0.0012 (0.0010)	0.0031 (0.0088)
Durability Quartile x Own Sales	-0.0340 (0.0150)	0.0420 (0.0166)	-0.0062 (0.0029)
Durability Quartile x Rival Sales	-0.0098 (0.0038)	-0.0020 (0.0132)	-0.0010 (0.0022)
Durability Quartile x Own Performance	0.0414 (0.0180)	0.0071 (0.0065)	0.0182 (0.0117)
Durability Quartile x Rival Performance	0.0117 (0.0048)	0.0058 (0.0062)	-0.0017 (0.0166)
Own Sales x Herfindahl	-0.0038 (0.0022)	-0.0022 (0.0019)	0.0162 (0.0133)
Rival Sales x Herfindahl	-0.0007 (0.0002)	0.0011 (0.0080)	0.0021 (0.0066)
Adjusted R-squared	0.22	0.11	0.04

Note: Regressions include dummy variables for years. Std. dev in parenthesis.

**TABLE 10****Hypothesis Tests at the Median Industry Concentration  
for Median Regressions of Pay-Performance Sensitivity**

	<b>NON-DURABLE GOODS (D=0)</b>		<b>DURABLE GOODS (D=1)</b>	
	<b>Total Compensation</b>	<b>Short-Term Compensation</b>	<b>Total Compensation</b>	<b>Short-Term Compensation</b>
Dependent Variable in Levels				
Own Performance ( <i>p</i> value)	.1325 (0.0000)	.0955 (0.0000)	.1958 (0.0000)	.1243 (0.0000)
Rival Performance ( <i>p</i> value)	-.0738 (0.0000)	-.0222 (0.0000)	-.1170 (0.0000)	-.0170 (0.0000)
Own Sales ( <i>p</i> value)	-.0074 (0.0000)	-.0054 (0.0000)	-.0501 (0.0000)	-.0255 (0.0000)
Rival Sales ( <i>p</i> value)	.0007 (0.0202)	-.0005 (0.0262)	.0208 (0.0000)	-.0077 (0.0000)
Dependent Variable in Differences				
Own Performance ( <i>p</i> value)	.0429 (0.0000)	.0294 (0.0000)	.0981 (0.0000)	.0385 (0.0000)
Rival Performance ( <i>p</i> value)	-.0234 (0.0000)	-.0130 (0.0000)	-.0390 (0.0000)	-.0093 (0.0000)
Own Sales ( <i>p</i> value)	-.0033 (0.0000)	-.0024 (0.0000)	-.0294 (0.0000)	-.0127 (0.0000)
Rival Sales ( <i>p</i> value)	.0000 (0.2632)	-.0007 (0.1017)	.0100 (0.0000)	-.0048 (0.0000)
$\Delta$ Own Performance ( <i>p</i> value)	.0241 (0.0000)	.0172 (0.0000)	.0682 (0.0000)	.0389 (0.0000)
$\Delta$ Rival Performance ( <i>p</i> value)	-.0321 (0.0000)	-.0103 (0.0000)	-.0538 (0.0000)	-.0095 (0.0000)
$\Delta$ Own Sales ( <i>p</i> value)	-.0031 (0.0000)	-.0043 (0.0000)	-.0119 (0.0000)	-.0113 (0.0000)
$\Delta$ Rival Sales ( <i>p</i> value)	.0006 (0.0512)	-.0006 (0.0510)	.0150 (0.0000)	-.0012 (0.0127)

Notes: The regressions include own and rival performances and sales, all interacted with the Herfindahl percentile and the Durability quartile, and a CEO dummy (column 3 in Tables 6A/B – 8A/B). Std. dev in parenthesis.