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To allot or not to allot? The impact of allotment on the noncontractible quality of the supply chain for school canteens in a major French region

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Abstract: The demand to improve the quality of the food supply in school canteens is increasing. One particular manifestation of it is the insistence on a necessary re-localization of the food production which is not perfectly contractible. That is why, in order to improve the quality with little additional costs, the French government advises to allot - to divide a public market into lots - the food markets for institutional catering. This recommendation is made in order to increase the competition and to be able to catch the local agricultural offer by making it easier for local producers to participate in the auctions. However, the economic literature does not give clear results on the matter. On the one hand, we can consider that allotment decreases the noncontractible efforts that the private partners are willing to do, because of the size of the market which is smaller (De Brux and Desrieux, 2014). On the other hand, if we consider that to allot is a way to internalize the supply process, then we reduce the choice to a make-or-buy's one. Consequently, the theoretical and empirical economic literature advises to "make" when there is noncontractible quality that can have a large negative impact on the service when it is reduced unilaterally by the private partner (Hart et al., 1997). We argue that it is worth considering that both effects have an influence on the efficiency of the supply chain. This paper presents a statistical method to investigate both kinds of influence and attempt to determine their respective weight.

Keywords: Public-Private Partnership, Institutional economics, incomplete contract theory, school canteens, allotment

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