

**Jin and Leslie (2003): The effect of information on product quality:
Evidence from restaurant hygiene grade cards**

This paper explores about the effects of policy that increases the provision of information to consumers. The panel data set for restaurants is in Los Angeles county which is cover before and after a sudden and unanticipated policy change in a way which introduced hygiene quality grade cards to be displayed in a restaurant windows. The central finding of this paper is “Hygiene grade cards cause restaurants to increase hygiene quality.” This paper also shows that the grade card cause three things. Firstly, an increase in restaurant health inspection scores. Secondly, consumers to become sensitive to restaurant hygiene quality. Thirdly, a decrease in the incidence of foodborne illness hospitalization that is not fully explained by consumer sorting. The evidence shows that the improvement in health outcomes is not fully explained by consumers that substitute poor hygiene restaurants to good hygiene restaurants. People that have better information causes people to change their purchase decision and also causes firms to change their behavior that leads to the improvement in health for people. There are statistically significant differences between mandatory and voluntary disclosure. These findings may encourage policy-makers to facilitate voluntary disclosure of verifiable product information in consumer product markets. The restaurant manager would not create their own poster showing their latest hygiene score and display at the window because it is unprofitable for restaurants to increase the provision of hygiene quality information to consumers.

Borenstein (1989): Hubs and high fares: dominance and market power in the US airline industry

This paper explores the degree of market power exercised by an airline industry in the US which determined by routes and airport dominance. The airline's share of passengers on a route and at the endpoint airports significantly influences its ability to make up price above cost. A number of earlier works have shown that prices on a route increase when the concentration increases but the two empirical findings indicate that the correlation between route concentration and high prices cannot be explained. This article found that the source of market power in the airline industry come from an airline with large share of traffic on a route without creating an "Umbrella effect" which allows other airlines to raise their price as much and one source of market power is the size of the carrier's operations at the endpoints of the route. There is substantial anecdotal evidence shows that an airline with a dominant share of the traffic has a competitive advantage on routes that include that airport. Moreover, the travel agents use computer for reservation this can give advantage to airline over the competitors. The airlines with large scale operation may have more ability to obtain gate. Therefore, the important tools that can give advantages to incumbent firm is "Marketing". The first marketing tools is frequent-flyer programs (FFPs) this program give a gift to a customers after they conducted a certain amount of business with the airline and second marketing tools is travel agent commission override programs (TACOs) this programs is to pay bonuses to travel agents who generate some specified level of revenues for the airline. Thus, FFP rely on the principal/agent relationship between employee and employer while TACOs rely on the principal/agent relationship between air travel buyer and travel agents. This paper use 2 approaches to analyze which are "estimation a pricing equation" and "estimation a relative price equation".