

EE489 Jin and Leslie paper summary

Part 1:

Part 2(potential impact of information disclosure)

- In the absence of grade cards, there exist asymmetric information between consumers and producers who don't have incentive to invest on hygiene and restaurants can not profit from having good hygiene.
- Rely on things like reputation to reduce asymmetric info, consumers still go regardless of the hygiene due to asymmetric info
- Once the disclosure of the hygiene info comes in, mitigates the asymmetric info, demand for good place rise and bad place will fall, may even increase the price of good place
- **Expect higher average hygiene to increase and food related illness to fall**
- Might increase competitiveness by making consumers less captive to the place and reduce as product differentiation
- Lower consumers search cost

Part 3(Summary of policy changes)

- DHS randomly inspects restaurants in LA and the data is collected from the inspection since Jan 1 1996 to Dec 31 1998
- Data shown the places inspected rose, the score rose from 70% to 90% over time after policy issued, the reduced sample are 13k matched out of 23k full sample.
- Started with television program broadcasting behind the kitchen(disgusting footage) which forced the board of supervision(county's) to vote on the regulation and put in effect in Jaan 1998
- All adopted in the end of 1998
- Table 2 shown the rise in mandatory disclosure in standard format while others fall as regulations are in effect in a wider circle
- The difference in the time of adoption between cities could exploit the research since it is mainly due to bureaucratic processing speed(slow) and not the characteristics of the cities
- Grades goes as A, B, C and D which the restaurants will be forced to close if there is severe hygiene issue or get two consecutive poor results from inspection
- Exogenous variations are 1.) unanticipated introduction of grade cards disclosure, 2.) difference in time of adoption variation between cities and 3.) individual restaurants that are randomly selected in points in time
- Use the two months time of change as focus point

Part4(Effects of hygiene grade cards on hygiene scores)

- Products attribute includes food types, quality(many dimensions including hygiene*), geographic locations
- Assume scores of inspection is accurate measure of hygiene quality

- Change in the criteria for inspection scores in the two period(major and minor) increase the median and reduce dispersion over time and more of the places scoring more than 90 and overall every criteria score also rose
- Regressed by Y as inspection score with voluntary post and mandatory post as dummy and regulation changes as well
- Use time series to identify the effects but the cities that allow voluntary and mandatory disclosure of data are cross sectional across different groups with different characteristics
- One findings on the value of the effects of mandatory disclosure goes up suggesting that more information also pushes the quality hygiene to go up as well but the statistical difference is also small between the voluntary and mandatory so it should not be taken as strong evidence but impacts of both surely went up in second period

Part 5(effects of grade cards on revenue)

- Measure the responsiveness of the consumers to the information(demand) by revenue
- If grade cards cause change in revenue=consumers responsive to grade cards
- Time of adoption for each restaurants in each city made it difficult to measure the factor that cause the revenue change and the change in the score
- Since tax is also used as a measurement for the revenue, one person owning multiple restaurant can be proven problematic as well but can resolve through using smaller sample with individual restaurants since it is not biased
- Before the grade cards, the different in grades impacts on the revenue is not significant but after the grade cards, A grades revenue increased by over 5% which prove the economic incentive to improve by the cards in mandatory case which is not the same as voluntary case
- Added as the price goes down from higher competition from more information

Part6(Hygiene improvement or changed inspector behavior or both)

- There might be no improvement in hygiene but inspector giving them scores because feel bad they will lose customers
- Consumers still responsive to grade cards even if it is not true because it helps sort the good restaurants out of bad ones
- There might be from inspector behavior, actual hygiene improvement or combination of both but actual result suggest that the quality actually improved

6.1) evidence of changed inspector behavior

- First evident is the spike during the mandatory disclosure regime comparing to the smooth during the no grade cards regime as inspector may choose to ignore the violation and give the restaurants the a grade of 90 if the actual score is one or two points below the A, as A grade does not show the actual score

6.2) Evidence of actual hygiene improvement

- One of the actual evidence that could be used to measure the impact of the grade cards policy regardless of the inspector behavioral change is the rate of food-related illnesses decrease over that time which was made available by the health organization
- Grade cards caused the consumers to shift to higher score restaurants→ lower illness
- Seeking the identification of the illness from previous research and independent medical researcher of illness whose cases over 90% caused by foodborne
- Regression results show estimation of 20% decrease in food related illness in mandatory and 13% in voluntary regime
- Shows actual hygiene improvement
- Consumer sorting effects on hospitalization
- Result suggested that eating at A tile has the same probability as eating at home and eating at C is most likely cause foodborne illness, eating at home is less likely to cause illness because of the grade cards as well
- The grade cards caused restaurants to improve hygiene quality which leads to less foodborne disease hospitalizations

6.3) other evidence of hygiene improvements

- Inspector sometimes do not assign score directly, rather, they report violations
- There is also physical violations that are more obvious than simply the score on the sheet
- Find significant reduction in points decrease from building structure

CONCLUSION: increase in provision of information on product quality(hygiene) to the consumers result in firms improving their product quality and consumers shifting towards higher quality products.

EE489 Borenstein paper summary

1.) introduction

2.) advantage of route dominance

- airlines want to dominate airport to get away from competition and to discourage new entrants
- Important marketing scheme to do so called frequent flyers program (ffps) that reward gifts or free travel to ones that conduct amount of business with companies(return purchase)
- Benefits give to ones conducting business not their company
- The other method is the travel agents commission override program which pay bonus to travel agents that generate specific level of revenues to the airlines
- Can attach agents with commissions or free travel so they can present biased info towards airline to customers
- Computer reservation systems also allows airlines to present biased info to both agents and customers by features more than their competitors, and all agents and customers use this systems to obtain information on airlines
- Block entry by time slots and gates location so they can refuse to lease those gates to entrants

3. Estimation of effect of route and air dominance

2 approaches for seeing effects of route and airport dominance first is cross section estimation of carrier's mark up cost with airport and route shared of the carrier as well. The second is the estimation of τ estimated airline price on route as this might be more effective.

In the end, it is mostly unavoidable that the major airline companies will form a hub in specific locations and will take control and dominate locations and routes. These airlines will conduct actions that will deter entrants and compel themselves from the competition and drive the price of their products higher while doing things such as the frequent flyers program, travel agents commissions overrides program and computer reservation system all to reduce the competition in the market that they compete in. These all allow them to reduce competition and in the market, they also dominate using slots and gate in different locations as well.