

One of the requirements of this course is the completion of a paper. This problem set asks you to write a 1-2 page abstract describing what you plan to do.

The main purpose of this paper is to get you started on your own research so I prefer a good, credible, proposal with future potential to a mediocre complete paper. This note provides some guidelines for this paper.

1. The paper must be empirical, using real economic data and related to IO. You can either add an empirical component to a paper you have previously written, start a new project or replicate results from a published paper (although this makes sense only if the paper is in an area you would like to work in). In the spirit of the course the most important components of the paper are: (1) an interesting applied IO question, (2) a well defined credible “experiment” that will allow you to answer this question, and (3) the data required to run this experiment. Two additional components that will be less important for this project (but are important in general) are economic theory and efficient econometrics methods.

*Question:* The paper should examine an interesting IO question. Such a question can be either literature driven (i.e., you notice that there is a gap in the existing literature), or driven by observation (i.e., you notice a certain economic phenomenon and ask yourself what causes it and how you could prove that is indeed what is happening). I have a strong preference for the latter.

*Credible Experiment and Data:* Once you have a question you should ask yourself how you can design an experiment to answer it. I do not necessarily mean that you should think of this as a natural or quasi experiment, rather that you think what kind of observed pattern will credibly answer your question, or what are reasonable exclusion restrictions. At first you should think about this question independently from the data you could potentially collect. Once you have realized what the ideal experiment is, you can ask yourself how to collect the data required to carry it out. In most cases the ideal experiment will have to be modified to accommodate data constraints.

*Theory and Econometrics:* In general you want to make sure that your work is well founded on economic theory and that you are extracting the most amount of information you can from the data. Since this is only a term paper I will not be very demanding along these two lines. For example, if your argument relies on what seems like intuitive economic principals I will not be asking that you specify a full model and solve for an equilibrium.

2. A 1-2 page abstract is due on February 9 (as problem set 2). Its probably a good idea to meet with me before the due date to discuss what you have in mind.

3. The paper will be due no later than 5:00 pm on the first day of exam week, Monday March 16.

4. I am aware that in most cases the term might not be long enough to allow you to fully obtain the data you need and perform the analysis. If the question is interesting and there is a reasonable chance you could get the data and do what you propose, then you will be allowed to work around these constraints.