Final Take Home Exam
Due Monday, December 4, by 10:00am in Aviv’s mailbox

You may check notes and written materials, but you may not communicate in any way with others regarding the answers to the exam. Please answer all the questions below. Note the page cap on questions 1-3; no page caps for the rest, but be concise. Good luck!

Read “Vertical Contracts between Manufacturers and Retailers: Inference with Limited Data” by Sofia Berto Villas-Boas (available at the course web page or at http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1120&context=are_ucla).

Page cap for questions 1-3: 2 pages in total for all three questions (double space, 12 point font)
1. Explain the data used in the paper. Be sure to comment on what variables form the dependent variables, which are regressors, and which are instruments. Note also what is an observation. Note any fundamental limitations on the available data which impact the analysis.

2. List the set of theories explicitly considered in the paper. Which of the theories are rejected by the author, which not?

3. List all the parts of the estimation procedure. Which parts vary according to the theory that is being used, and which parts are the same whatever theory is being used? For each part, state the dependent variables, the regressors, and the instruments.

No page cap for the following questions, but be concise.
4. List the key assumptions that allow the author to identify the parameters of the model. Explain what variation in the data allows the author to separate the theories being considered.

5. Pick one of the theories which is rejected and explain with precision the statistical evidence against it. For that same theory, list all of the testable economic implications you can think of, whether they are explicitly discussed in the paper or not. Explain the relationship between each testable implication and the statistical testing results reported in the paper with as much quantitative precision as you can.

6. Suppose you found an addendum to the data set, with a new series available, the dollars paid by each retailer to each manufacturer for each product each period. Explain (and justify) at least two ways you would use the new data to aid the analysis in the paper.

7. Instead of the yogurt industry you want to conduct a similar study in the laundry detergent industry. Laundry detergent is storable, by both consumers and retailers. How will this impact the analysis? Do not derive an explicit model of storage. However, comment which equations would be impacted and if possible speculate on the direction of the impact.