

## ECON815 – Economic Analysis for Business Spring 2019 Reading Assignments

### January 31: Video killed the wage earner?

#### *Readings:*

- [“The long-term decline in US prime-age male labor force participation.”](#) Black, Furman, Rackstraw, and Rao, *Voxeu.org*, July 6, 2016.
- ["Video killed the radio star: How games, phones, and other tech innovations are changing the labor force,"](#) Erik Hurst, *Chicago Booth Review*, September 1, 2016.
- ["The shocking pain of American men,"](#) Jeff Guo, *Washington Post*, October 13, 2016.

#### *Discussion preparation questions:*

- What are the potential demand side explanations for the decline in labor force participation (LFP) ?
- What are the potential supply side explanations for the decline in LFP?
- Given the evidence cited (and potentially your own outside knowledge or experiences) which explanations do you find credible and why?
- If we interpret the LFP as the "Quantity" and wages as the "Price", what has happened to these two variables over time? With this interpretation, what does a supply and demand framework say about the ability for supply side versus demand side changes to explain what is happening?

### February 7: Why you can't get a taxi in the rain

#### *Readings:*

- [“Cruising for Dollars,” The Economist, April 16, 2007 .](#)
- [“Why you can't get a taxi when it's raining,” Annie Lowrey, New York Magazine, November 11, 2014.](#)
- [“Why New Yorkers Can't Find a Taxi When it Rains,” Eric Jaffe, City Lab The Atlantic, October 20, 2014 .](#)

#### *Discussion preparation questions:*

- How is the price you pay for a taxi different from the price that we would expect drivers to respond to?
- Why is it hard for a standard supply and demand framework to explain why it is hard to find cabs when it is raining?
- What does it mean to be "target earners" and why could that explain the mystery?
- What other economic explanations are there? What do you find most credible?

### February 19: Technology and Arbitrage 1

*Reading:*

- ["To do with the price of fish,"](#) *The Economist*, May 10, 2007.
- ["The transatlantic telegraph's introduction is a lesson from history on how information technology can improve firms' ability to forecast demand,"](#) Claudia Steinwender, London School of Economics Blog, June 2014.

*Discussion Preparation Questions*

- What is the law of one price?
- How does arbitrage help enforce the law of one price? Why does this, in general, increase societal well-being (total surplus)?
- Why does this rely upon the availability of information?

## **February 21: Technology and Arbitrage 2**

*Readings:*

- (podcast) ["Cat Scam,"](#) September 14, 2016.
- or instead: ["Why It's Nearly Impossible to Stop this Amazon and eBay Scheme,"](#) Jason Feifer, *Entrepreneur*, July 27, 2016.

*Discussion Preparation Questions*

- Does this arbitrage strategy seem to provide lasting or short run profits? Why?
- Does the law of one price hold here?
- We have said that arbitrage increases total surplus, is that true in this case?

## **February 26: Robot takeover**

*Readings*

- ["William Baumol, whose famous economic theory explains the modern world, has died,"](#) *Vox.com*, May 4, 2017.
- ["Could Self-Driving Trucks Be Good for Truckers?,"](#) *The Atlantic*, February 1, 2018.

*Discussion Preparation Questions*

1. What it would mean for human drivers and robot drivers be "complements" in production versus "substitutes"? What is the argument for why the former might be true?
2. What is the channel through which robot drivers could actually help human truck drivers?
3. How might (or might not) this argument translate into workers in a different industry? (pick any industry and explain whether it makes sense or not in that context)

## **April 4: Price matching and high prices**

*Reading:*

- [“Best Buy Holiday Pricing Will Match Rivals Even After Items Are Sold”](#) Mae Anderson, *Associated Press*, November, 21, 2013.

*Discussion Preparation Questions*

1. Do price match policies increase or decrease competition?
2. If Best Buy was in Bertrand competition, how would its price matching policy change the game?

## **April 16: To Trust or Anti-Trust**

*Readings*

- (Podcast) ["Mavericks, Monopolies And Beer,"](#) *Planet Money*, February 13, 2013.
  - FYI: Since this podcast A-B InBev merged with SABMiller, although the FTC forced them to divest of some brands.

*Discussion Preparation Questions:*

1. What is the government trying to determine to decide whether to block a merger?

## **April 18: Higher Ed or Higher Profits?**

*Reading:*

- ["Ivy Universities Deny Price-Fixing But Agree to Avoid It in the Future,"](#) Anthony DePalma, *The New York Times*, May 23, 1991
- ["O'Bannon Ruling Stands, but N.C.A.A.'s Status Quo May Yet Collapse,"](#) Joe Nocero, *The New York Times*, Oct 3, 2016.

*Discussion Preparation Questions:*

1. What was this group of private colleges and universities doing in the 1980s and 1990s that led to the Justice Department filing suit?
2. Who did the universities argue benefited from this behavior (other than themselves)?
3. Who do you think would have a bigger incentive to deviate from the collusive agreements Harvard or one of the other schools? Why?
4. Is the NCAA a cartel? How so?
5. Do you think that college sports teams should be allowed to compete for players with explicit offers of payment? Why?

## **May 2: Insurance in the Information Age**

*Readings*

- ["Genetic testing threatens the insurance industry,"](#) *The Economist*, Aug 3, 2017.
- ["Can a Facebook Post Make Your Insurance Cost More?"](#), Ellen Byron and Leslie Scism, *The Wall Street Journal*, March 18, 2019.

*Discussion Preparation Questions*

- If many consumers do genetic testing and insurers cannot see the result, what problems could that create for the insurance industry?
- Is using genetic testing information or Instagram posts to set insurance prices "price discrimination"?
- If life insurers get more information about customers via DNA testing and/or social media, will this make the insurance market more "efficient" or less? How would insurance buyers be affected?