



RICE ECON

News and Views from the Economics Department at Rice

WELCOME BACK!

We hope that you are returning from a wonderful fall break, rejuvenated and ready to close out a great semester. For those of you still coping with the effects of Hurricane Harvey, we hope that your recovery is progressing – and many thanks to those who helped in the recovery effort via the Rice Harvey Action Team (R-HAT) or other volunteer activities.

The Economics Department has added quite a few courses over the past few

years. In this issue of RICE ECON, we introduce a feature called “New Course on the Menu!” that will highlight one of these courses. For the Fall 2017 issue we focus on ECON 441, Empirical Methods for Industrial Organization, which will be taught next semester by Professor Isabelle Perrigne.

For those of you thinking about graduate school in economics (or any of the other social sciences), be sure to attend the

information session on applying to grad school sponsored by the School of Social Sciences and held in the Will Rice PDR at noon on Monday October 16.

As you know, to help ensure that students master the material introduced in some of our core courses, the department added one-hour labs to ECON 200, Microeconomics, ECON 308, Mathematical Economics, and ECON 310, Econometrics, making each of these a four credit hour course. What do you think of these labs? Please let me know at zodrow@rice.edu or via the suggestion box on our website.

We hope the rest of your fall semester goes well!

George Zodrow
Director of Undergraduate Studies

New Course on the Menu!

Menu

Main Course: ECON 441
Empirical Methods in IO

Appetizers: ECON 200 &
ECON 209

Master Chef: Prof. Isabelle
Perrigne

Dinner is Served: Spring
2018, Tues and Thurs,
10:50 am - 12:05 pm

*Come enjoy a
gastroeconomical delight!*

ECON 441 is a relatively new class that one typically doesn't find in an undergraduate program. In the course, we cover four papers that address different issues related to incomplete information, going over the models, the econometrics, and the data analysis. The first paper topic is about a strategic game played by radio stations for the release time of advertising, and our application is the release of blockbuster movies. I also cover nonlinear pricing, which is quite advanced because it incorporates all incomplete information. I then look at nonlinear pricing in the telecommunications industry with cell phone services. The last topic is auctions and the application is procurement by the city of Los Angeles. For every topic, I find a different data set that students can analyze, identifying how the data justify the model, reveal strategic behavior by firms, and so on. I then explain the derivation and implementation of an

econometric model and encourage them to write an empirical paper.

The class is designed for students who are interested in data analysis and quantitative methods, and who also have an interest in industrial organization. It's about markets, strategy, interaction among firms, the pricing of products, and a wide variety of similar issues. The class is especially useful for students who want to go into consulting jobs (which often use a lot of these methods), into jobs with federal institutions with anti-trust divisions, and who want to go on to graduate studies in Economics, particularly in empirical IO. Empirical IO has a lot of tools that you need to master for these pursuits.

Advising Corner

Fall 2017

Advising Office Hours

Monday

4:00–5:00 p.m.
Maria Bejan, BKH 251

Tuesday

12:45–2:15 p.m.
George Zodrow, BKH 260

Wednesday

4:00–5:00 p.m.
James Brown, BKH 250

Thursday

1:00–2:30 p.m.
Peter Hartley, BKH 262

Friday

10:15–11:45 a.m.
Mahmoud El-Gamal, BKH 240

Spotlight on our Faculty



Isabelle Perrigne, Professor of Economics

Research Interests: Empirical Industrial Organization, Applied Microeconometrics

Isabelle Perrigne is a Professor of Economics whose area of expertise is empirical industrial organization, often combining models of incomplete information, data analysis and microeconometrics. Her current interests are in nonlinear pricing and insurance, and she has made recent contributions to the development of the structural analysis of auction data. Professor Perrigne previously held appointments at the University of Southern California and Pennsylvania State University. Her research has been supported by the National Science Foundation and she has served as an NSF panelist. Professor Perrigne has published in the leading economic journals including *Econometrica*, *Review of Economic Studies*, *Review of Economics and Statistics*, and most recently the *Journal of Political Economy*.

How did you become interested in economics?

That's an interesting question. Very few people say that they were inspired as a kid or a teenager to be an economist. At younger ages, you have more aspirations about saving the world. As a matter of fact, I didn't want to do economics at all. When I was a high school student I wanted to go to medical school, but I had some health issues that made it difficult to practice the way I intended. Afterwards, I was thinking about what I could do and I was looking for something mathematical or quantitative. I did my undergraduate studies in France and unfortunately most fields had no formal modeling. I was looking for something more rigorous and economics was best suited to what I had in mind.

What are your current research interests/projects?

I'm an empirical IO (Industrial Organization) person. I just got a paper published in the *Journal of Political Economy* on nonlinear pricing in telecommunications, and I continue to work in that area. I work on insurance, which is also based on models of incomplete information, and I just started a new project on the auctioning of contracts. I like to do something intellectually challenging, so in all my papers I try to propose new approaches and develop new tools that other researchers can use. For instance, I'm currently working on choice sets in differentiated product models. Although there's a huge literature on that topic, everyone assumes that the consumer choice set is exogenous, and in fact it's endogenous. So, in conjunction with some co-authors, I'm trying to develop an estimator for endogenous choice sets for

a differentiated product. I have perhaps eight or nine projects going on these days, but the common features are IO, models of incomplete information, and a lot of econometrics.

What other current research in IO are you most excited about?

There are plenty of things going on these days, including work about online markets and research made possible by the availability of big data. Many activities in the private sector will change academic research – indeed, many famous IO economists work for Amazon – and we have a lot of interaction in IO with the private sector due to the availability of data. With the web and new technologies there are so many new problems and new data sets to analyze. For example, we have done a lot of research in insurance, but soon if you don't need a driver maybe you won't need insurance. Some markets may disappear in the future while others may emerge. IO will certainly capture this trend, probably to a greater extent than other fields, but it's hard to predict where things are going. IO also has a lot to bring to other fields in economics, because we're quite advanced in terms of how we combine models with data and with econometrics. Empirical IO has developed a lot of expertise that could benefit a lot of other areas of economics, such as development, where there are plenty of problems, such as energy pricing, that are very related to IO. You now see this kind of interaction between IO and labor, education, political economics, development, and macro, and I think there will be more interesting and highly productive connections in the future.

RISE Lecture – Nobel Laureate Vernon Smith



The Rice Initiative for the Study of Economics (RISE), directed by current Dean of Social Sciences and former Economics Department Chair Antonio Merlo, was recently established to enhance research and teaching in economics at Rice. As part of its activities, RISE hosts a lecture series that has brought several recipients of the Nobel Prize in Economic Sciences to Rice, including Professors Roger Myerson, Thomas Sargent, Alvin Roth, and Michael Spence. This fall the RISE lecture

series will feature Professor Vernon L. Smith of Chapman University, who was awarded the 2002 Nobel Prize for his pathbreaking work in experimental economics. He will deliver a lecture entitled “On Learning from Proving Yourself Wrong: Two Cases from Experimental Economics, with Implications and Insights for the Economy.” We encourage you to attend the lecture, which will be held at 5:00 p.m. on November 9 in the Glasscock School Auditorium; for more details, see the [economics department website](#).

And What Did You Do This Summer? An Interview with Victoria Johnson, '18



Victoria Johnson is a senior MTEC major at Duncan College from Torrance, California. In addition to her internship this past summer at the Brookings Institution, she has also held positions in financial institutions, insurance companies and local government.

What kind of internship did you have this past summer?

I was a research intern at the Brookings Institution in Washington, D.C., in the Economic Studies Department and specifically in the Tax Policy Center, which is run jointly by Brookings and the Urban Institute. For most of my time there I worked on various issues in the realm of tax policy, since my supervisor was Dr. Bill Gale, the co-director of the Tax Policy Center. I didn't have one specific project but focused on a couple of different areas, including the partial repeal of income tax cuts in Kansas, the taxation of imputed rental income from owner-occupied housing worldwide, and the status of household finances for millennials. What I did day-to-day ranged from helping to draft op-eds and blog posts to working with data sets to performing initial literature reviews.

What got you interested in tax policy?

I took Public Finance with Dr. Zodrow last fall, which gave me a good introduction to various issues in taxation. Probably what I enjoy most is that tax policy is intertwined with pretty much every other policy issue, so through working on tax policy I learned a lot about federal policy on topics as varied as healthcare, defense, and safety net programs. Policymakers often rely on the tax code to create incentives for certain activities, so the effects of tax policy are extensive. This summer was an especially

interesting one to be looking at issues surrounding taxation, as lots of speculation surrounded what the new administration would propose and what consequences that would have for the country.

What have you done at Rice that prepared you for this position?

Since Public Finance very closely related to a lot of topics I covered this summer, it was definitely the most directly useful class for me. I've taken several classes that utilize computer programming through STATA and R, and these were helpful skills in looking to analyze large data sets. Microeconomics with Dr. Brown also greatly influenced my interest in and approach to economics generally. Besides just classes, I've been lucky to meet a lot of people here who are passionate about public policy, and conversations about federal and local issues greatly contributed to my interest in working in these areas.

How did your internship affect your future plans?

Being exposed to policy research at such a high level definitely made me want to work in a similar position after graduation, especially since I hadn't had a similar full-time research position before. I also hadn't previously considered working in D.C.

long-term, but now I can see myself living there to work on federal policy. Because of my experience this summer, my goal currently is to work as a research assistant for a few years and then potentially go to graduate school. Ultimately, I'd like to end up working to effect change through public policy, either within the government or at a non-profit organization.

What was your favorite part about working at Brookings, as well as living in D.C.?

I really enjoyed what I was working on, and being at Brookings was amazing because they host a variety of events and speakers regularly. I was able to attend a women's lunch with Alice Rivlin, the first director of the CBO, and hearing about her decades of experience in government and at Brookings was an absolute highlight of the whole summer. D.C. was also an incredible place to be, especially because of the consequential legislative issues that came up this year. I attended an event in one of the Senate office buildings that happened to be on the same day as former FBI Director James Comey's testimony, which was fascinating to witness. I also enjoyed exploring the city on the weekends, and had an unparalleled view of the Fourth of July fireworks from the steps of the Capitol Building.



Source: [tripsavvy](https://tripsavvy.com)