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## Research Statement

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I am an applied micro-economist with interests in Demand estimation, Consumption Dynamics, Industrial Organization, Cultural Economics, and International Trade. My dissertation, *Essays in Demand Estimation and Consumption Dynamics: Applications to Cultural Economics and the Life Cycle*, consists of three essays: the first essay looks at the structure of demand for the live theatre market in Broadway. We examine the shape of the demand curve since the positive correlation between price and unobserved quality has produced upward sloping demand schedules. We use the Tony awards as a new way to capture unobserved quality. We conclude Broadway theatre demand slopes down and the Tony awards have a positive effect on demand. The second essay looks at the market for pension retirement funds in Mexico. We look at said market from both, demand and supply, perspectives. From the demand side we look at the impact of rates of return on investments, management fees, and advertising on the firms' market shares. From the supply side we look for the type of returns to scale present in this market. The third essay revisits the Permanent Income Life Cycle Hypothesis. We propose a new measure of wealth as the discounted net present value of income from all sources. We then calculate yearly wealth distributions for all the 20<sup>th</sup> century and use the data from these wealth distributions to calculate consumption trajectories for a representative individual.

The essay entitled *Quality Effects on the Demand for Broadway Shows*<sup>1</sup> revisits findings in the seminal studies analyzing live theatre demand since the positive correlation between admission price and the show's quality has produced upward sloping demand curves. In the past, these markets have often been overlooked due to the lack of appropriate data which creates extra difficulties. We circumvented the problem of lack of data by creating a new and unique panel dataset by matching data consisting of weekly Broadway show attendance and theatre gross revenue and capacity figures with show attributes for all plays performing between December 1995 and June 2003. We then isolate the effects of price and quality on demand by using the Tony award as a measure of unobserved quality of the show. We conclude Broadway show demand slopes down, the Tony award has a positive impact on demand, individuals like Musicals more than Plays, and Hollywood actors draw bigger crowds. Obtaining consistent estimates of the demand for Broadway shows opens several avenues for future work in this topic such as market concentration and competition among firms and survival analysis for plays.

The second essay entitled, *Efficiency Analysis of the Market for Pension Retirement Funds in Mexico: A Demand and Supply Perspective*<sup>2</sup> looks at the Mexican market for pension retirement funds. From the demand side we first look at how net returns and advertising affect the firm's market shares. We then disaggregate the net returns into individual components: rates of return and management fees, while keeping

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<sup>1</sup> Joint with Felipe A. Vasquez-Lavin.

<sup>2</sup> Joint with Felipe A. Vasquez-Lavin.

advertising in the model. We employ a discrete choice methodology with instrumental variables to account for possible endogenous variables. Our findings suggest advertising has considerable impact on changes in market shares. The effect of other variables is mixed and sometimes contradictory to economic theory. From the supply side we look at the type of economies of scale in this market. We estimate Cobb Douglas and Translog variable cost functions accounting for endogenous variables. The parameter estimates suggest the presence of economies of scale consistently across specifications. Our findings are important because economic policy with regard to competition and market structure should consider this characteristic of the market to achieve greater efficiency. There is also potential for future research in this area as a healthy pensions system is fundamental to a country's development. We have plans to expand our research to look at pension fund switching in Mexico using individual data. In addition, we have started to look at other countries, Chile for now. The goal is to compare the evolution in Chile and what we have already seen in Mexico.

The third essay revisits the Permanent Income Life Cycle Hypothesis. Research in the past has estimated consumption trajectories using income or net worth. However, these covariates are not appropriate for such purposes. They are measured with error and they overlook an important income generating characteristic: human capital. We propose a new measure of wealth as the discounted net present value of income from all sources. We calculate yearly wealth distributions for all the 20<sup>th</sup> century and use these data to estimate, through a generalized method of moments estimator, consumption trajectories for a representative individual.

The essays mentioned above are in progress or close to completion. We have obtained funding from the UC MEXUS foundation to keep working on the Pension System Project during the year 2007/2008. In addition, I am also working on other projects not included in my dissertation. These are in the area of International Trade and Political Economics. In the first, I am interested on the impact of the North American Free Trade Agreement on the members' trade flows. We ask the question whether NAFTA had an impact on bilateral trade flows or was it just the coincidence of the currency devaluation that spurred export growth from Mexico to the United States. Our counterfactual comparisons of model predictions indicate NAFTA has increased bilateral trade between the United States and Mexico. The effects of NAFTA on U.S.-Canadian and Canadian-Mexican trade are mixed and less pronounced. Another project in this area looks at the impact of Free Trade Agreements on wage inequality. Entering into an FTA modifies the terms of trade for the group members and these artificial movements manifest themselves in the wage gap between skilled and unskilled workers. We look at the evolution of this wage gap.

Finally, in the area of political economics<sup>3</sup> we analyze the outcome of the gubernatorial elections in Mexico on July 6, 1997 for five states. The objective is to ascertain what influences Mexican voter behavior. We construct five multinomial logit models for Mexico City, Nuevo Leon, Queretaro, San Luis Potosi, and Sonora, respectively. These models were estimated with poll data collected from surveys conducted during the third week of June by the national newspaper Reforma. The models included sociodemographic, party identification, and economic variables. Model results suggest the Mexican voter relies on party identification when casting a vote.

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<sup>3</sup> Joint with Alejandro Poire.