

ARE Faculty Profile

Sofia Berto Villas-Boas is an assistant professor in the Department of Agricultural and Resource Economics at UC Berkeley. Sofia received her Ph.D. in Economics from UC Berkeley in May 2002.

Sofia's recent research on vertical contracts has focused on identification and inference about the underlying vertical interactions in the markets when limited data on these interactions are available (see her article in this issue of the *ARE Update*).

In work in progress, Sofia is interested in estimating the effects of upstream price discrimination and below-cost pricing on retail prices and welfare in gasoline markets. Sofia measures the impact of the recent New York State Motor Fuel Marketing Practices Act, by measuring the prices and quantity of gasoline sold at the pump in a comprehensive sample of retail stations in New York and in neighboring New Jersey (that was not affected by this legislation), before and after the April 2004 law.

In current work, Sofia measures the impact on arbitrage conditions and on wholesale price volatility, from the environmental-content regulations in gasoline in its current form. Would price distortions and inefficiency from increased market power be lower or higher under a geographically broader and more uniform gasoline content regulation? Both ongoing projects are co-authored with Justine Hastings at the Yale University Department of Economics.

In another stream of research, Sofia and Rebecca Hellerstein, from the New York Federal Reserve Bank, analyze empirically the link between vertical cross border contracts and exchange rate pass-through, focusing on the automobile market in the U. S. They focus on the vertical contracts that determine whether upstream (foreign) or downstream (domestic) firms absorb the marginal-cost shocks associated with crossing national borders. Policy makers often want to know if a foreign or a domestic firm will absorb the impact of an exchange-rate devaluation or of a particular trade policy such as a tariff. A distribution chain that spans several countries makes firms vulnerable to fluctuations in their margins caused by changes in trade policy or by volatility in exchange rates. How a



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devaluation or a tariff affects a nation's trade balance hinges on what portion of its cost is passed through to local currency prices. The welfare effects of a devaluation or a tariff also depend on whether foreign or domestic firms absorb the cost shock in their mark-ups.

Sofia is originally from Lisbon, the capital of Portugal, the almost European 2004 soccer champions this year. She studied Economics in her undergraduate degree obtained from Universidade Católica Portuguesa in Lisbon. Following her graduation, she started the Ph.D. program at Berkeley in 1996. Sofia has received not only a Ph.D but also three Masters from Berkeley: Master Vasco, Master Diogo and Master Jose' Maria. Sofia and Miguel (Professor of Marketing at the Haas School of Business) live with their three boys within walking distance to the Cal campus. Sofia enjoys painting and loves going to antiques stores and to the Ashby-Adeline Flea Market for bargains, such as her \$10 red bike.