

Discussion of:

**Exports and Invoicing:  
Evidence from the 2015 Swiss Franc Appreciation**

by Auer, Burstein, Erhardt, and Lein

and

**Exchange Rates and Prices:  
Evidence from the 2015 Swiss Franc Appreciation**

by Auer and Burstein

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AEA Meetings 2019

# We Know (Empirically) Invoicing Currency Matters

- For United States and Canada
  - For imports
  - At “the dock”
  - In the short-run

Sources: Gopinath, Itskhoki, Rigobon, Goldberg, Tille

- For Chile and UK
  - For exports
  - USD vs. LCU (mostly)
  - In the short- and medium-runs

Sources: Fitzgerald, Haller, Cravino

- More generally? Some very nice progress, including Boz et al. in this session...

# What We Know Don't Know About Invoicing Currency

- Matters even when there's big common shock?
- How unique to USD?
- Does it show up in retail prices? Are they allocative?
- Endogenous choice, but what's key driver?
- If in margins vs. prices, what's implication for activity?
- Quantitative dynamic general equilibrium? Policy implications

# What We Know Don't Know About Invoicing Currency

The two papers are well-done, make great progress! Shed light on:

- Matters even when there's big common shock?
- How unique to USD?
- Does it show up in retail prices? Are they allocative?
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# What We Know Don't Know About Invoicing Currency

Literature still needs more clarity on:

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- Endogenous choice, but what's key driver?
- If in margins vs. prices, what's implication for activity?
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# What We Know Don't Know About Invoicing Currency

Literature still feels far from:

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- Quantitative dynamic general equilibrium? Policy implications

# Papers Make Great Progress

- Matters even with big common shock? The shock is:
  - Clearly a policy-induced surprise
  - Large and persistent
  - Followed several years of stability
  - Common for Swiss Firms, but relatively unimportant for non-Swiss firms other than in their interaction with Switzerland
- Unique to USD? Papers are about EUR/CHF
- Show up in Retail? Allocative?
  - Paper 1 uses Nielsen Homescan to connect to retail
  - Papers 1-2 also connect pricing differences to expenditures

# Much More to Understand Regarding Currency Choice

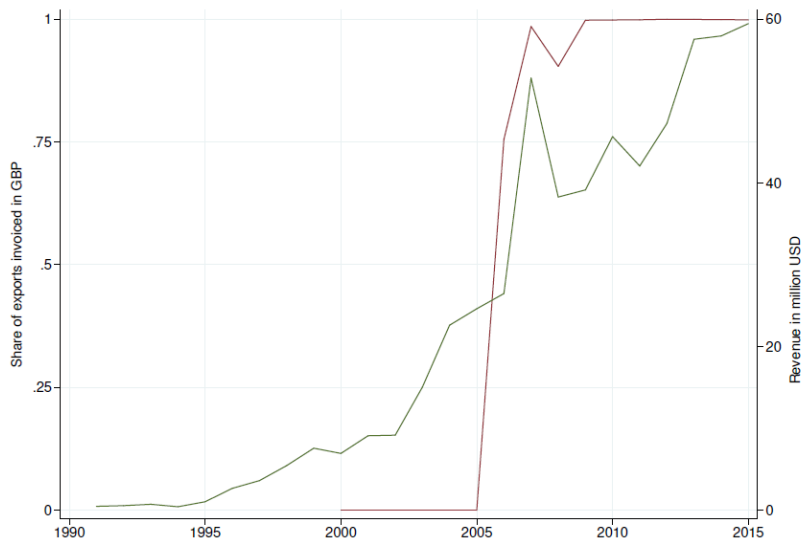
- Should we study currency invoicing (as if “exogenous”) or desired passthrough (if “endogenous”) or both?  
(Much like nominal vs. real rigidities, vs. both.)
- GIR (2010) show PT differences persist (i.e. “endogenous”)
- Here, differences shrink/disappear after 1 year and some evidence unrelated to fundamentals (“exogenous”)
- Can we learn more?



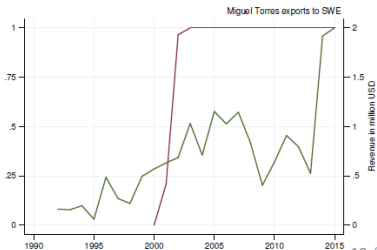
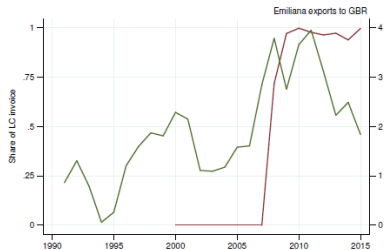
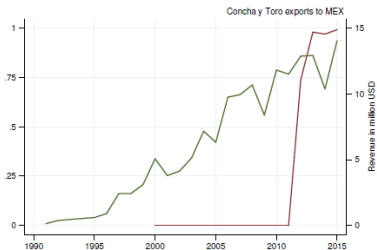
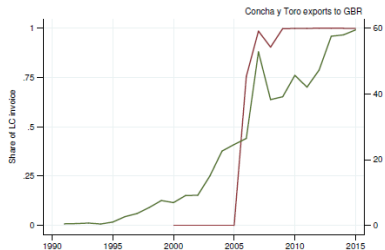
# Micro Level Evidence

- Labbe (2018) studies Chilean wine exporters
- Start exporting in USD, switch to LCU *within markets* depending on size
- Looks like size matters more than market share, suggests key is DRS

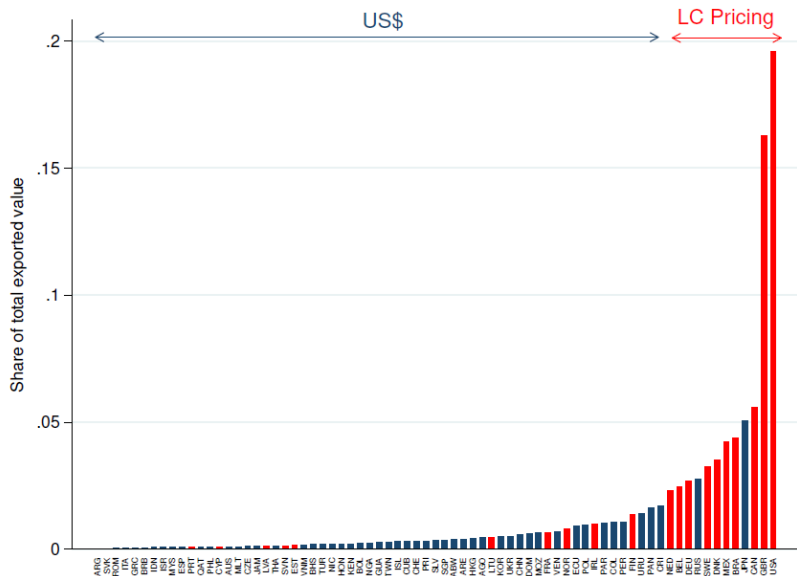
## Micro: Concha y Toro exports to United Kingdom



# Micro: Common across firms, destinations



# Micro: Holds in Cross-Section



# Micro Level Evidence

- No info on changes in stickiness, passthrough
- Why USD to LCU vs. PCP to LCU?
- Of course, more to the world than Chilean wine
- But might inform how LCP vs. PCP firms vary investment, employment, etc., in response to shocks

# Macro Level Evidence

- Theory?: Mukhin (2018), Gopinath and Stein (2018), Chahrour and Valchev (2018), among others
- Empirics on variation?: Chinn and Ito (2015), Ito and Kawai (2016), MNS (2018)...

# Summary

- Nice papers! They are among the most important papers that have convinced me that invoicing currency matters for:
  - Short-run price responses
  - For both small idiosyncratic shocks and larger common shocks
  - With USA (in USD) and Non-USA (in non-USD)
  - These pricing responses matter for allocations
- What determines currency choice? How stable is it? How should I model it quantitatively and for policy analysis?

This is where literature should go (and, to some extent, it is)...