

Discussion of:

**Price Discrimination Within and Across EMU Markets:
Evidence From French Exporters**

by Fontaine, Martin, and Mejean

Brent Neiman
University of Chicago

NBER ISOM 2019

Some Things the Authors Find That We Perhaps Knew

- ① LOP deviations are large, export pricing-to-market is the norm
 - Composition? Within an 8-digit product of given exporter
 - Exchange Rate? EMU, so does not reflect nominal rigidities

Some Things the Authors Find That We Perhaps Knew

- ① LOP deviations are large, export pricing-to-market is the norm
 - Composition? Within an 8-digit product of given exporter
 - Exchange Rate? EMU, so does not reflect nominal rigidities
- ② LOP deviations smaller in currency unions and retailers. Not as stark as Cavallo-Neiman-Rigobon or DellaVigna-Gentzkow

Some Things the Authors Find That We Perhaps Knew

- ① LOP deviations are large, export pricing-to-market is the norm
 - Composition? Within an 8-digit product of given exporter
 - Exchange Rate? EMU, so does not reflect nominal rigidities
- ② LOP deviations smaller in currency unions and retailers. Not as stark as Cavallo-Neiman-Rigobon or DellaVigna-Gentzkow
- ③ We can't explain much of within-product price discrimination
 - Given $S \times B \times P$ fe's, experience in market, age of relationship, transaction size, and distance combined have no impact on R^2
 - Within a seller, market power and retailer/wholesaler have adjusted R^2 of 0.001

Some Things the Authors Find That We Didn't Know

- 1 Buyers are much less important than sellers
 - Buyer FE explains $< 1/4$ as much dispersion as does Seller FE
 - Good news! Justifies modeling convention, easier than bargaining (e.g. Goldberg and Tille)

Some Things the Authors Find That We Didn't Know

- 1 Buyers are much less important than sellers
 - Buyer FE explains $< 1/4$ as much dispersion as does Seller FE
 - Good news! Justifies modeling convention, easier than bargaining (e.g. Goldberg and Tille)
- 2 Striking upward trend in dispersion of trade prices
 - CV for EMU goes from about 1.15 to 1.3 for 2002-2017, for example, and all groups have increases!
 - Pushes hard against intuition from internet and consolidation

Composition Still Biggest Threat to Interpretation

- “Product” is defined as 8-digit “combined nomenclature” (like HS code). Disaggregated enough?

Composition Still Biggest Threat to Interpretation

- “Product” is defined as 8-digit “combined nomenclature” (like HS code). Disaggregated enough?
 - (HS2) 22: Beverages, Spirits, and Vinegar

Composition Still Biggest Threat to Interpretation

- “Product” is defined as 8-digit “combined nomenclature” (like HS code). Disaggregated enough?
 - (HS2) 22: Beverages, Spirits, and Vinegar
 - (HS4) 2204: Wine of fresh grapes

Composition Still Biggest Threat to Interpretation

- “Product” is defined as 8-digit “combined nomenclature” (like HS code). Disaggregated enough?
 - (HS2) 22: Beverages, Spirits, and Vinegar
 - (HS4) 2204: Wine of fresh grapes
 - (HS6) 2204 21: In containers holding 2 litres or less

Composition Still Biggest Threat to Interpretation

- “Product” is defined as 8-digit “combined nomenclature” (like HS code). Disaggregated enough?
 - (HS2) 22: Beverages, Spirits, and Vinegar
 - (HS4) 2204: Wine of fresh grapes
 - (HS6) 2204 21: In containers holding 2 litres or less
 - (CN8) 2204 21 12: Bordeaux
 - (CN8) 2204 21 13: Burgundy

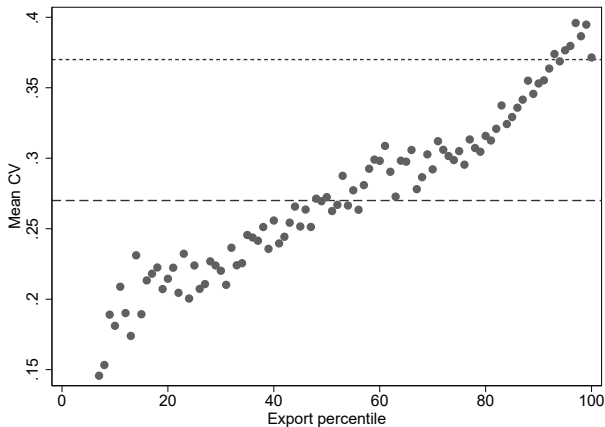
Composition Still Biggest Threat to Interpretation

- “Product” is defined as 8-digit “combined nomenclature” (like HS code). Disaggregated enough?
 - (HS2) 22: Beverages, Spirits, and Vinegar
 - (HS4) 2204: Wine of fresh grapes
 - (HS6) 2204 21: In containers holding 2 litres or less
 - (CN8) 2204 21 12: Bordeaux
 - (CN8) 2204 21 13: Burgundy

 - (CN8) 8703 21 10: New cars with cylinder $< 1000\text{cm}^3$
 - (CN8) 8703 22 10: New cars with $> 1000\& < 1500\text{cm}^3$

Composition Still Biggest Threat to Interpretation

- Consistent with some of strongest results in paper:



Composition Still Biggest Threat to Interpretation

- Consistent with some of strongest results in paper:

	Dep. Var: Seller Fixed Effect $\hat{F}E_s$				
	(1)	(2)	(3)	(4)	(5)
ln Relative Sales	.330 ^a				.264 ^a
	(.006)				(.008)
ln Relative Market Power		.066 ^a			.081 ^a
		(.015)			(.014)
Wholesaler			-.072 ^a		-.102 ^a
			(.024)		(.028)
Retailer			-.203 ^a		-.281 ^a
			(.045)		(.052)
ln Count products				.507 ^a	.387 ^a
				(.009)	(.011)
# Observations	35,091	28,042	39,227	42,240	27,851
Adjusted R ²	.069	.001	.001	.076	.115

Composition Still Biggest Threat to Interpretation

- Consistent with some of strongest results in paper, and relevant for:
 - Level of price dispersion
 - Conclusions about nearly-uniform pricing, even within markets
 - Increasing trend over time (related to increasing products?)

Minor Quibbles

- Weighting
- Temporal aggregation to quarters
- Intrafirm
- Profit margin measure

Why LOP Matters and How Relates to Paper?

- Relative prices and shocks in multi-country models
Can authors do more on dynamics to engage on this?

Why LOP Matters and How Relates to Paper?

- Relative prices and shocks in multi-country models
Can authors do more on dynamics to engage on this?
- What is a market? Did EMU creation or internet change this?
Lots of segmentation (and growing). Where are lines drawn?

Why LOP Matters and How Relates to Paper?

- Relative prices and shocks in multi-country models
Can authors do more on dynamics to engage on this?
- What is a market? Did EMU creation or internet change this?
Lots of segmentation (and growing). Where are lines drawn?
- Efficiency and mis-allocation?
Some quantitative guidance? Retail vs. Wholesale?

Why LOP Matters and How Relates to Paper?

- Relative prices and shocks in multi-country models
Can authors do more on dynamics to engage on this?
- What is a market? Did EMU creation or internet change this?
Lots of segmentation (and growing). Where are lines drawn?
- Efficiency and mis-allocation?
Some quantitative guidance? Retail vs. Wholesale?
- Growing literature on rising markups?
I'm personally skeptical, but can authors connect with this?

In Conclusion...

- Nice paper, with great dataset and careful analysis
- Zoom in (case studies?) to rule out influence of composition
- Connect results more intensely with big issues in literature
- Excited to read the next version!