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

Brent Neiman
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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:

- 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?
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), Chahrou 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)...