Discussion of:

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

by Fontaine, Martin, and Mejean

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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 rigidies
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3. We can’t explain much of within-product price discrimination
   - Given S X B X 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)
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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?
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• (CN8) 8703 21 10: New cars with cylinder < 1000cm$^3$
• (CN8) 8703 22 10: New cars with > 1000& < 1500cm$^3$
Composition Still Biggest Threat to Interpretation

• Consistent with some of strongest results in paper:

Figure 6: Mean dispersion of prices, across export percentiles

Notes: This figure reports the mean coefficient of variation per percentile of firm size, where the size of a firm is measured by its contribution to overall exports. The long dash horizontal line represents the dispersion at the 50th percentile. The short dash line represents the size-weighted median. Data are for the first quarter of 2002.
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<table>
<thead>
<tr>
<th></th>
<th>Dep. Var: Seller Fixed Effect $FE_s$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>ln Relative Sales</td>
<td>.330$a$</td>
</tr>
<tr>
<td></td>
<td>(.006)</td>
</tr>
<tr>
<td>ln Relative Market Power</td>
<td>.066$a$</td>
</tr>
<tr>
<td></td>
<td>(.015)</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>-.072$a$</td>
</tr>
<tr>
<td></td>
<td>(.024)</td>
</tr>
<tr>
<td>Retailer</td>
<td>-.203$a$</td>
</tr>
<tr>
<td></td>
<td>(.045)</td>
</tr>
<tr>
<td>ln Count products</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td># Observations</td>
<td>35,091</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.069</td>
</tr>
</tbody>
</table>

Notes: The LHS variable is the estimated seller fixed effect recovered from the estimation of equation (6). "ln Relative Sales" if the (log of) the seller's turnover in 2006, normalized by the median firm's sales in the sector of the firm. "ln Relative Market Power" is a measure of the seller's relative market power, in comparison with the median firm in its sector, where a firm’s market power is proxied by the ratio of gross operating surplus over value added, in 2006. "Wholesaler" and "Retailer" are dummy variables for sellers belonging to the wholesaling and retailing sectors, respectively. "ln Count products" is the (log of) the number of products the firm exports in the EMU.
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?

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  *Can authors do more on dynamics to engage on this?*
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• 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!