Comments on "Heterogenous Price Information and the Effect of Competition" by Lach and Moraga-González

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June 8th, 2012

One Slide Summary

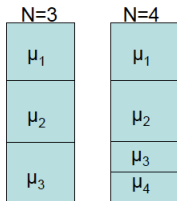- Larger number of firms

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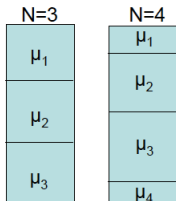- Larger number of firms $\Rightarrow$ Better informed consumers

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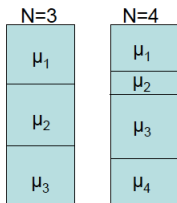
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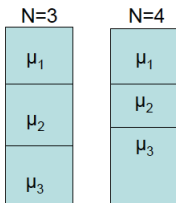- Heterogeneity matters a lot!

Case 1

Case 2 (Prop. 2,II)

Case 3 (Prop. 2,III)

Case 4 (Prop. 2,III)

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- Passive search versus Active search.
- From 3 to 4 gasoline stations: OK. ✓
- From 30 to 31 gasoline stations: Not obvious to me.

- Confusion, complexity, consumers' limited capacity of processing information could potentially play a role.

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- Concerns of Consumers and Policy makers due to the large number of alternatives.UK electricity market (80 new tariffs per year); Medicare Part D in the US:(30 and 56 plans).
- Competition versus Confusion could be an interesting trade-off.

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- Results support non-monotonicity, which seems interesting.

Minor comments

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Empirical Part

- The model assumes homogenous goods, the empirical section differentiated goods with constant valuation-to-cost margins.
- Heterogenous marginal costs? Using oil shocks as instruments.
- Non significant results in lower quantiles: Perhaps more competitive markets are insensitive to this effect?
- Pag 18: You do have a way to test this theory versus standard theories. Does it need time variation in N?
- Some X_m could be instruments for N? (no entry and no exit at all?)