

Discussion: A Test of Hedonic Price Indexes for Imports
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Kim and Reinsdorf

- Emerging empirical regularities
 - Substantial quality variation based on product characteristics within 10-digit HS code
(Byrne, Kovak, and Michaels 2012)
 - Quality-adjusted price differences across suppliers in different countries
(Byrne et al 2012, Houseman et al 2010,2011)
 - Substantial price declines occur as buyers switch suppliers
(above, and Nakamura and Steinsson 2012)

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- Ideal transaction-level data
 - Prices
 - Product characteristics
 - Buyer and seller identifiers
- Attaching product characteristics to IPP augments data on price, buyer, and seller

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- Main challenge – matching with a complete set of product attributes
 - TV analysis includes
 - Type (plasma, CRT, LCD, Projection, LED)
 - Size
 - Brand (premium vs. other)
 - Omits
 - Picture quality (resolution, refresh rate, viewing angle)
 - User interface quality
 - Additional features (online integration, inputs)

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- Collecting the limited set of attributes already seems quite difficult
- Missing attributes bias the hedonic index (probably upward – even larger gaps vs. MM index?)
- Indicator-variable measures of hedonic characteristics make estimates closer to MM
 - Problem in TV sector (Erickson and Pakes 2011)
 - Erickson and Pakes proposed solutions

Kim and Reinsdorf

- Are comparisons of hedonic and MM indexes capturing linking issues alone?
- MM index is equivalent to hedonic index with indicators for each model, up to the weights (Aizcorbe, Corrado, and Doms, 2000)
- Weighting in current analysis?
 - Hedonics implicitly weighted by # of obs in each goods characteristic bin
 - How does this compare to Jevons weights?
 - Are hedonic results similar to MM when hedonics use indicators for each continuing item?

Kim and Reinsdorf

- What happened to the TV market in 2007?
 - Giant jump in unconditional average prices

Discussion: Constructing Competitiveness Measures
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Thomas

- Observe substantial price differences across countries even within narrowly defined products
- If imports are cheaper than domestically produced goods, can we conclude that domestic producers are less competitive?
- Close relationship to trade literature on cross-country quality differences
(e.g. Hallak and Schott 2011, Khandelwal 2010)

Thomas

- Central confounder: unobserved quality
- Example: semiconductor wafers
 - All products within one 10-digit HS code
 - Chinese products 30% cheaper than Taiwan's
 - Holding quality constant, Chinese products only 17% cheaper
- Taiwan appears to be uncompetitive with China

Thomas

- But Taiwan still has >50% market share
 - Introduces new production technology first
 - Frictions impede customers switching producers
- Trade literature measures quality adjusted price differences (competitiveness) using market share conditional on price
 - Buyers presumably observe price and quality
 - Market share reflects revealed preference

Thomas

- Market share likely captures long-run differences in quality adjusted prices (competitiveness)
- Caveat: be careful using price or market share to infer competitiveness changes over time
- In our model of frictional input markets:
 - Leader's average quality increases (pd. 2 to 3)
 - Relative price falls
 - Relative market share falls

Thomas

- Consider using market shares to augment information on prices alone
 - Partly addresses unobserved quality differences
- Begin with industries with less scope for quality variation
- Proceed with caution when trying to measure *changes* in competitiveness over time
 - Market dynamics can confound price or market share approaches
 - Unclear how general these dynamics are across markets