Discussion of "Competition of Spatially Differentiated Firms: An Estimator with an Application to Cement"

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Spatial Markets

Market Segmentation is di cult problem with overlapping markets.

Neighbour's Neighbour problem shows up, and soon the entire country is in the state space.

Spatial Segmentation is a big issue in Cement, and other bulk

Spatial Price Discrimination

- Global Model of Shipments: each plant ships a certain fraction of cement to each market.
- What makes this model different is the focus on spatial price discrimination: p_{jn} instead of p_j.
- Huge Increase in the number of prices in this model $J \times N$ versus J.
- Fixed Point of the FOC with respect to price are solvable because of:
  - Logit shocks ϵ_{nij} to smooth the demand system.
  - High performance solvers.
- Not clear what the difference in the predictions of the model look like between the spatial price discrimination versus no discrimination.

Demand Estimates

Improvement on elasticity over Ryan (2009):

- Aggregate: $'' = \quad 0{:}16$ versus $'' = \quad 2{:}96$.
- Firm Level: $''_i = \quad 5{:}70$.

Future Work

- Hard to take this to the dynamics: the state space became the con guration of the entire southwest.
- Look at issues at how we deal with spatial price discrimination:
  - Welfare of price discrimination versus no spatial discrimination.
  - Basing point controversy: price from a common location la Steel in the 1950s.
- Issue of the role of international competition in cement.