Middlemen as Information Intermediaries: Evidence from Used Car Markets
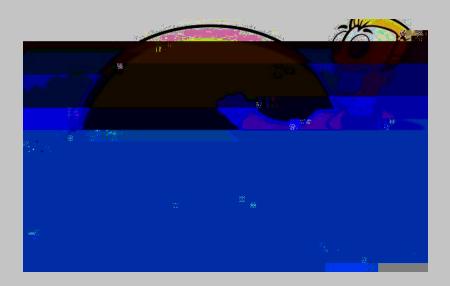
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Discussion TOBIAS SALZ

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"Both the   and the   rejected the
paper for "triviality", while the reviewers for   rejected it as
incorrect, arguing that, if this paper were correct, then no goods could be traded."
(Wikipedia)

This paper:

- Intermediation is a big part of the economy. Overall, little empirics.

- Pinning down informational stories is hard. Here: leverage inter-temporal dimension of a lemons market.

- Great data, many new facts.

- Model is parsimonious (in a good way) and yet generates a lot of predictions that bear out in the data.

- There is still a lot to be learned about auto markets...

Model Summary:

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$$b \ = \ \frac{(1 \quad !\ )}{!\ (1 \quad)+(1 \quad !\ )} \quad U^H, \qquad = U^H$$

- Fraction of dealer sales declines with car age.

- Dealer's percentage premium increases.

- Dealer's $-premium is hump-shaped.

- Dealer transacted cars are less likely resold

W a   a   ?

- Finance and Insurance.

	(0.0000107)	(0.0000107)			(0.0000114)	(0.0000114)	(0.0000171)	(0.0000171)
	(0.000700)	(0.000700)	(0.00118)	(0.00118)	(0.000726)	(0.000726)
	(0.0000412)	(0.0000416)	(0.0000616)	(0.0000623)	(0.0000384)	(0.0000388)

Nonannual LT	-0.0206***		0.00739***		-0.0206***	
	(0.00174)		(0.000109)		(0.00116)	

Main Comment:

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Another model:

- With $(\ )$: $U^L = "\ U^H$, $" < 1$, $\dot{\ }(\ ) > 0$, $\dot{U}^H < 0$

Fixed cost but no repair cost.

3	6	9	12	15	1

Repair cost, discard if repair too costly.

Other Comments:

- Whom do resells go to?

- More types, depreciation effect no longer cancels out?

- Spatial controls, urban versus rural?

- Implicit guarantees in bilateral market and shady dealers.

- Age v.s. mileage?

- What about the distribution of prices?