Discussion of Abito and Salant “ The

Effect of Product Misperception on

Economic Outcomes”

Ginger Zhe Jin

U niversity of Maryland & NBER

I love the paper • Research question is crispy, important and
policy-relevant • Drill down into mechanisms • Compare competition and information as two
potential inter ventions •

Main findings
•The high take-up of extended warranty is
mostly driven by consumer misperception
•Consumer misperception is mostly driven by
lack of accurate information in failure
probability
•Fixing misinformation is much more effective
than fixing monopoly power
•Fixing market power without fixing
misinformation reduces welfare

Comment 3: experiment

The paper has: • WTP first • Likelihood first • Information first
Sug gest: • Price of EW first

O ther comments

1. How do {pj

,pj’

,tj

,tj’

} vary with each other in the raw

data?

2. Does the store have more salesmen devoted to

categories with high EW take-up rate or high EW

profits?

3. Could “self-cons istency ” explain the experimental

results of like lihood -first?

4. Explore more in income heterogeneity

– A re low-income households are susceptible to

misperception?

– After incorporating the fact that low-income HHs are

more sensitive to product and EW prices?