Does the Invisible Hand Efficiently Guide Entry and Exit Evidence from a Vegetable Market Experiment in India

Author:Abhijit Banerjee, Greg Fischer, Dean Karlan, Matt Lowe, Benjamin N. Roth

Date:2022-08-01

Keyword:NA

Url:[click here](https://www.nber.org/papers/w30360)

Attachment:[click here](https://www.nber.org/system/files/working_papers/w30360/w30360.pdf)

From:NEBR-working\_paper

What accounts for the ubiquity of small vendors operating side-by-side in the urban centers of developing countries? Why don’t competitive forces drive some vendors out of the market? We ran an experiment in Kolkata vegetable markets in which we induced (via subsidizing) some vendors to sell additional produce. The vendors earned higher profits, even when excluding the value of the subsidy. Nevertheless, after the subsidies ended vendors largely stopped selling the additional produce. Our results are consistent with collusion and inertial business practices suppressing competition and efficient market exit.