

Discussion of “Online and On-site Commerce and the
Geographic Concentration of Economic Activity:
Evidence from Transaction data”

by Bounie, Camara, and Galbraith

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Interesting paper!

- Evidence that online transactions, compared to off-line transactions,...
 - Decline less with distance
 - And increase more with origin-GDP
- Excellent data
- Lots of robustness checks and subsample analyses
 - Takeaway: a very robust fact

Why do we care about the bottom 99% of firms?

- One of the data cleaning elements is to exclude the top 1% of firms
 - Sensible because their location is hard to pinpoint
- Likely a huge share of actual transaction volume
 - What share is it?
 - Can we extrapolate from the middle 98% to the top 1%?
 - If not, what are we really learning about online transactions when we exclude Amazon?
 - Not trying to say it's uninteresting; but would appreciate guidance from the authors on why it is interesting
 - Obviously it matters for small businesses, location of innovation?

What is the counterfactual?

- Covid-19 and general trends have increased the share of transactions that are online and not in-person
 - Tempting to use this analysis to argue that Covid-19 and general trends will lead to more distant transactions and in larger cities
- Would this be correct? No
 - We need a causal effect
- Correlation is not causation
 - Huge selection into what is online and what is offline
- Authors are careful not to make this claim, but it's the clear motivation: "this suggests that the increasing movement toward online purchasing tends to increase the concentration of overall economic activity..."
 - Use the Covid shock as a way to identify a treatment effect?
 - Authors have another paper using this data during the Covid period

How will this effect GE?

- Even if we do take the estimates causally, how does it affect the economy in GE?
- Presumably benefits the largest and furthest regions
 - Big decrease in price index for all regions
 - Especially large in distant regions
 - Big increase in wages for large regions
- Is this correct? And how large are these effects?

Conclusion

- Very robust and intriguing correlations
- Would love the authors to spell out a bit more about why they find these correlations interesting
 - Turn that intrigue into welfare or GDP numbers!

Small comments

- I would use Poisson regression as my main specification, given the various downsides of logs, but at least include it as a robustness check.
- It might be helpful to show your own evidence on how “stable” the standard gravity relationship is
 - It would be nice to show that the online gravity coefficients are outside the range of estimates from the literature
 - Another possibility would be to divide the off-line transaction values by industry, or some other category, and show how big an outlier the online values are.