Testing market power non-parametrically for multi-product firms

By Hans Martinez*

Using the first-order conditions approach, convex analysis, and stochastic process we model and test non-parametrically the market power in the white appliances industry. Our method allows us to test firms' market power by imposing minimal assumptions in contrast with current literature. First, we get demand estimates and elasticities following AK(2020). By varying ownership structure in the first-order conditions of the firm's optimization problem, we can test if prices are optimal for single-brand firms, current market structure, or a single multi-brand monopolist. We apply this novel methodology to the white appliances industry in the US. We find that market power accounts very little for pricing, but it is product differentiation that matters.
JEL: A10, A11
Keywords: Market power, Industrial organization

Introduction

This is my super cool paper. I'm awesome.

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From new micro to macro: Finding the sweet spot

By Hans Martinez*

Recent developments in applied micro theory (stochastic revealed preferences) can test rationality non-parametrically and allow for full heterogeneity in utility functions. In doing so, however, they have to abandon the hope of recovering the distributions of agents and thus can't be used in applied macro settings. We show how to recover the agents' distribution by imposing minimal assumptions. We then apply this method to a simple general equilibrium setting in which agents differ in their risk aversion and have access to a set of assets with different risks and yields. We then test the implications in the data and find that the agent's heterogeneity accounts significantly for risk premia.
JEL: A10, A11
Keywords: Macro, Finance, Cool new thing I'm doing

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Mapping choice sets from micro to market frictions in macro

By Hans Martinez*

Recent research in applied choice theory has evidenced the relevance of the consideration sets of decision-makers. Yet, until now, there's been a disconnect between these novel applications and the macro applications. We show how to map choice sets to market frictions by making then minimal necessary assumptions and how to use these novel developments in a macro setting. Using data from the US Bureau of Labor Statistics, we apply these techniques to a job searching problem in which it is costlier for applicants to look for jobs that are farther away from their home/current job location/current field of expertise. In other words, the cost of accessing a bigger consideration set increases with the distance from the current state.
JEL: A10, A11
Keywords: Macro, Micro, Cool new thing I'm doing

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