Previous meeting

- ▶ We discussed the variables used in the mortality tables according to the level of sophistication of the firm.
- ▶ I should try to disentangle whether there are shoppers and non shoppers or whether there is firm-learning

This meeting

- ▶ Problem to find pricing determinants (variables that enter mortality tables).
  - I observe year-month, but interest rates can change within a month.
  - There are comissions that I do not know how to account for.
  - Functional form issues
- ▶ Discuss model sent by email.
- ▶ Discuss learning and discrimination.

Learning

▶ Firms increase their offers more the higher the initial offers of the competitors.

▶ The probability of making an external offer is decreasing on the value of the initial offers of the competitors.

▶ There is bunching around the maximum initial offer. Firms might try to be the highest offer.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Increase	Increase	Increase	Increase	Increase	Increase	Has External O
main							
Avg. Gap	0.316***	0.155***	0.155***	0.139***	0.147***	0.071***	
	(0.006)	(0.010)	(0.010)	(0.016)	(0.019)	(0.020)	
Max. Gap		0.110***	0.110***		-0.021	-0.006	
		(0.009)	(0.009)		(0.029)	(0.028)	
gap_from_avg							-0.191***
							(0.032)
Constant	1.893***	1.375***	1.375***	1.381***	1.387***	1.511***	-2.012***
	(0.010)	(0.082)	(0.082)	(0.045)	(0.046)	(0.121)	(0.028)
Observations	14133	14133	14133	2046	2046	2046	16164

Average: is the difference between the mean of other firms' initial offers and own initial offer

Max Gap: is the difference between the highest other firm's initial offer and own initial offer.

Cols (1)-(3) use the population of initial offers that are not the highest, (4)-(6) only use the highest offer

Cols (4) and (6) include firm fixed effects

Learning(1)

Figure 1:

Distribution of Improvement (%)
Testing for Bunching at Zero

Distribution of 100*(external offer/ highest initial offer from competitor -1). Black line at zero.