Discussion of

“Coasian Dynamics in Sequential Search”

by Mauring and Williams

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What is it about?

- In a search environment with heterogeneous patience, sellers offer lower prices to consumers who stay in the market longer.
- Price discrimination based on observed history of search.
- A subtle feature is that price discrimination is self-inducing:
  - Consumers search longer only if they expect the prices to go down.
  - The prices go down because of the gradual (adverse) selection: impatient consumers leave the market.

Key to this result

$$F(t_n) - F(t_{n+1}) + p_n f(t_n) \frac{\partial t_n}{\partial p_n} = 0$$

$$\frac{\partial^2 [pF(\tau(p, p'))]}{\partial p \partial p'} \geq 0$$

Comments

- Consumer entry and exit: need more detail in light of Step 1 of the proof for T2.
- Timing? Perhaps more transparent approach would be to use calendar time for screening.
- some sort of recursivity is assumed:
  "...for all $t' < t, U(p_n, t', 0) > U(p_{n+1}, t', 1)$: also buyers with a lower search type prefer to buy latest in the nth step of search."
- In T2, there is assumed monotonicity of exit decision w.r.t. type. This probably holds, but needs a proof.
  - I think it is similar to local IC vs. global IC in mech. design problems
  - What happens if supermodularity doesn't hold? "Ironing"?

Comments

- It is Diamond (1971), not Coase (1972).
- What happens if you give sellers more market power?