STEG-PEDL Virtual Course on 'Private Enterprises, Productivity and Economic Growth'

Session 7: Friday 20 March 2026

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Presentation slides

Video

Continue the conversation on Piazza

Q: Can we get all recording of all previous lecturers?

> A: Yes, all of the recordings are on YouTube and they are linked on the course webpage: https://grp.cepr.org/steg/courses/Private-Enterprises-Productivity-and-Economic-Growth.

Q: The first three approaches are highly dependent on the shape of the production function. Is there any way to measure competition without making specific assumptions about the production function?

> A: That is a great observation. The work Lauren is talking about now will overcome this, but at the cost of quite a lot of complexity in implementation. Generally, though, most of this literature makes fairly strong assumptions about functional forms.

Follow-up Q: So your suggestion is to use Cournot type of models instead, right? And in that case, I have a very hard time thinking about how to implement labour and capital in a simple marginal cost term in IO models.

> A: I think that depends on the context and types of goods. But let's ask Lauren for thoughts on this at the end.

Q: You showed that competition can improve prices and quality, but in the Rwanda coffee case it actually worsened outcomes. How should policymakers decide when to promote competition versus when to protect relational contracts?

A: Yes, starting with at least Peterson and Rajan's 1995 paper on competition in credit markets, it's been clear that competition can make things worse where one party needs to invest in relationships. One answer is that at least in some contexts, improving contractibility will get us around this. So policy makers can try to improve contractibility.

Q: In LMICs, small market size limits the number of firms. Is there a point where increasing competition becomes inefficient due to scale constraints? How do we identify that threshold?

A: Lauren mentioned this tension earlier in the talk. So market integration - joining markets - will help on this.

Q: Do traders have capacity constraint? I think that is quite important for that market as they would buy from farmers and then go to the markets and try to sell them all that day right? so how should we think about that decision?

A: I think the results Lauren will show here suggests that the capacity constraints are not binding. (Price discounts lead to higher sales.) But we can ask her about this.

Follow-up Q: Ah, I see. thanks. But maybe we could also ask whether traders' prices change throughout a given day. Right?

A: We can ask her that. But if traders fully anticipate demand levels and supply constraints, they should set a price that will not vary. Of course, if they under-estimate demand, they may run low and raise prices at the end of the day. I think this was not an issue in their context, but we should ask.

Q: In the informal sector, it's difficult to collect data from the same sample as there is no barriers to exit or entry. That means difference in different methodologies could be difficult (especially in LMICs). Is there any study that has looked at change in competition and market structure changes in SMEs?

A: The traders Lauren is talking about here are very small, but very stable. The boatbuilding firms that she will talk about later have several employees, but are

maybe not yet “medium” sized. I’m not coming up with good examples with much larger firms, but let’s ask Lauren.

Follow-up Q: Farmers face low prices due to imperfect competition. Would reducing transaction costs (e.g., transport, information) be more effective than increasing competition directly?

A: One example (sort of). There is a paper by Asturias et al. on the Golden Quadrilateral road network in India. That increases market integration and there is allocative efficiency of the sort we will see in Jensen and Miller, but I don’t think they calculate markups.

On the transactions cost, the paper on maize markets in Uganda that Meredith presented last week is one example of how information-based integration reduces the spatial variation of prices.

Q: Sorry, is the story that mobile phones are integrating the shipbuilding market, or is it operating through a linkage from improved fishermen’s productivity to the shipbuilding industry?

A: The story is that mobile phones induce fishermen to sell fish in other (not their home village) markets (that is Jensen 2007) and because they are selling fish in other markets, they learn about the quality of boats built in those villages. That gain in information induces them to buy boats in other than their own - market integration. So the effect comes from information —> integration —> quality.

Further questions:

Q1: Mobile phones improved market integration. What other digital interventions could realistically reduce information frictions in today’s markets?

Q2: So from your work, what is your top one or two key policy recommendations and who would you make them to?

Q3: In the paper (Bergquist and Dinerstein (2020)), I am curious how those random interventions affected to the relationship between retailers and farmers. For instance, the price that the retailers paid to the farmers... do you have any information?

Q4: In retail markets in developing countries, one often observes surprisingly similar product assortments across stores located very close to each other. However, standard IO models (Hotelling) would predict differentiation, either in product space or location. Do you have any insights into this feature of the market?