13th Postal Economics Conference on E-commerce,
Digital Economics and Delivery Services

PRICE CAPS ON PLATFORMS USING DYNAMIC PRICING: THEORY AND EVIDENCE FROM RIDESHARE

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WHAT I LIKE ABOUT THE ARTICLE

- The contribution is clear: studying the effect of a price cap in a (two-sided) market with dynamic pricing
- The contribution is policy relevant
- Clean identification with sensible robustness checks
    - I particularly liked the full vs restricted controls idea; it's a clever way to control for the effect of COVID restrictions!
- Well written and to the point. No unnecessary information.
    - Although I wished you included some other pieces of information (more on this in the next slides)

ESTIMATIONS

- How are prices and rides distributed (before and after the event) across units? If they are skewed, using the median or some other alternative to the mean values would be more accurate.

- In Table 2, I would add an estimation with full sample + ride characteristics controls to back out the “true” COVID effect on the estimate

- As an alternative to control for COVID restrictions you could use the Oxford Coronavirus Government Response Tracker (free and at state level for the US) or Google’s Community Mobility Reports (also free, at the county level for the US)

- Why not controlling for trip duration and ride type in Equations 4 and 5? You do it in their diff-in-diff equivalents later on.

- Can you provide an intuition of why only the effect on prices and quantities are not statistically significant in levels, but they are in logs (cf. Table 3)?

- How does trip length and the share of each ride type evolve before and after the event, after controlling for COVID? Was there any substitution across apps? → It would strengthen your claim if you can show that consumers didn’t react to higher prices by choosing cheaper ride types (e.g. switching from Comfort to Black) or using ride-hailing for shorter distances. Riders could have substituted to Lyft, which is usually cheaper.

THE MODEL AND WELFARE CALCULATIONS (1/2)

- You should explicitly define how you calculate welfare in the model, and who's welfare that is. I understood you refer to total welfare (as mentioned in Proposition 1) and that you calculate it as Δ (p x q)

- In my view, the model serves two purposes in the article:

  1. It justifies the importance of an empirical exercise, as welfare may increase or decrease when you lift the price cap

  2. It allows to perform back-of-the-envelope calculations to quantify the welfare effect of the policy change

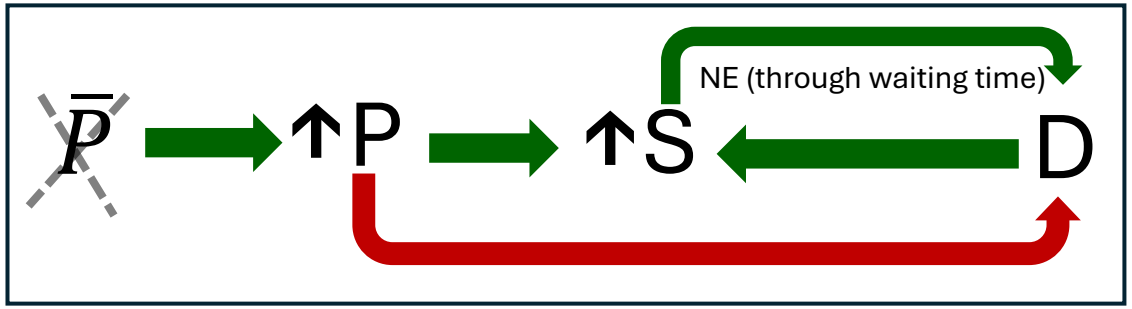
→ **On purpose #1**: you could make this point without a model, as you highlight in p.7: "… *price caps limit markups, allowing for the possibility of welfare increasing price caps*".

→ **On purpose #2**: since the model is simple, so you have to give up the (likely non-linear) effects of ride quality (wait time, tide type), network effects and multihoming in building your counterfactual.

THE MODEL AND WELFARE CALCULATIONS (1/2)

Perhaps there's a way to do back-of-the-envelope welfare calculations without relying on a more complex model with network effects to build a more robust counterfactual.

You could re-do the estimations using **quality-adjusted prices**, where quality depends on waiting time and ride type.



Causal diagram of the effects of the policy change
(**green**: = positive causal effect; **red** = negative causal effect)

- Can you observe **waiting time**?
  - If so, you could measure, for each ride type, the causal effect of the policy on a metric of quality-adjusted price
  - From there, you can compute the effect on # rides x quality-adjusted price (≈ consumer welfare)

- Can you observe Uber and Lyft **fees**?
  - If so, you could measure the causal effect of the policy on platform profits (≈ platform welfare) and on driver net price/mile (≈ drivers' welfare)

MINOR COMMENTS

Motivation

- You could add the European Commissions' Digital Fairness Act (under discussion), which plans to regulate dynamic pricing (how is still to be decided)

Presentation/notation

- I wouldn't include mathematical notation in the abstract, even if they are standard.
- I suggest you include a table with the variables and platforms you observe and some summary statistics about all of them. It's not clear what your raw data looks like.
- It would be helpful that you describe what each parameter and variable represents when you present Equations 1-3, even if these are standard terms.
- In Table 3, for clarity, I suggest adding *ln()* to the first two columns of Panel A and "(Poisson QMLE)" and "(OLS)" to panels A and B, respectively.

THANK YOU!