Discussion of:
Supply Chain Shortages, Large Firms' Market Power, and Inflation

by Francesco Franzoni, Mariassunta Giannetti, and Roberto Tubaldi

Matteo Crosignani
New York Fed, CEPR

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Supply chain shortages, firm performance, and industrial structure

· **Ex-ante ambiguous effect on "superstar firms"**
  - More international and complex supply chain
  - More suppliers, might even get preferential treatment during supply chain shortages

· **Superstars firms shielded from supply chain shortages**
  - Superstars obtain larger deliveries than smaller customers *of the same supplier*
  - Superstars have more suppliers than non-superstars
  - Their suppliers are themselves large and benefit from a size-related advantage

→ **Predictions from a Cournot model with supply chain shortages**
  - Superstars acquire market share and experience smaller increases in production costs
  - Superstars increase their markups and profitability

Supply chain shortages in 2021
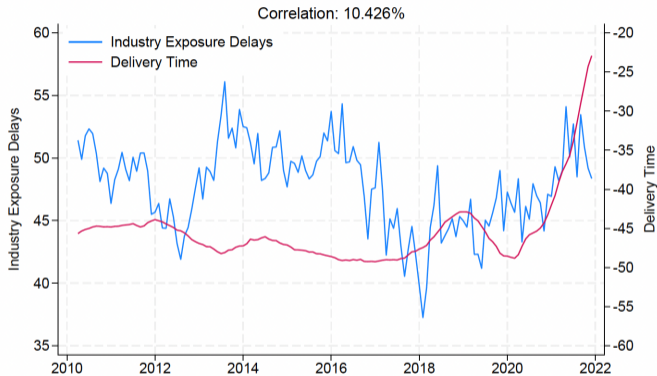
— Delivery Time (industry-level) captures the shortages that firms in an industry face
— Industry Exposure Delay is a proxy for industry-level exposure to port congestion
  · Port congestion not fully capturing the '21 shortage. Is there cross-industry variation?
  · This dynamic also consistent with superstars facing higher demand

Suppliers seem to favor superstar customers firms during shortages

Panel A	OLS regressions					
Dependent variable	1(Trade > 0)	Containers	Shipments	Weight	Volume	Quantity
	(1)	(2)	(3)	(4)	(5)	(6)
Star × Delivery Time	0.020**	0.981***	0.364*	16.478***	1.306***	1.167***
	(0.010)	(0.315)	(0.188)	(6.267)	(0.453)	(0.280)
Star	-0.067***	0.816**	0.683***	16.996***	0.636	0.010
	(0.013)	(0.336)	(0.210)	(4.663)	(0.467)	(0.280)
Supplier-Year-Qtr FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm's Industry-Year-Qtr FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	225,453	225,453	225,453	225,453	225,453	225,453
Adj. R2	0.134	0.144	0.121	0.226	0.170	0.135

- More on the driver of such firm-size related preferential treatment: Are these inputs goods highly specific? Are suppliers unable to substitute away from superstar firms?

Variation in delivery times likely unrelated to demand shocks

Sample		2019-2021				
	First stage	Second stage				
Dependent variable	Star × Delivery Time	Containers	Shipments	Weight	Volume	Quantity
	(1)	(2)	(3)	(4)	(5)	(6)
Star × Industry Exposure Delays	0.448***					
	(0.065)					
Star × Delivery Time		2.916***	1.652***	69.791***	3.510***	2.389***
		(0.855)	(0.496)	(21.884)	(1.200)	(0.695)
Star	1.029***	0.903	0.307	-9.736	0.828	0.851
	(0.113)	(0.925)	(0.546)	(22.109)	(1.140)	(0.742)
Supplier-Year-Qtr FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm's Industry-Year-Qtr FE	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap rk Wald F statistic	46.777					
Obs.	39,991	39,991	39,991	39,991	39,991	39,991

- The *shift* component is the congestion of global ports
- The *share* component is the industry exposure to the ports at the beginning of the sample

Convincing evidence on superstar advantage during shortages

- **The superstar advantage is an interesting fact per se: Cost-push shocks are heterogenous across the size distribution**
  - Irrespective of the demand identification concern
  - Irrespective of the exact mechanism at work

$\rightarrow$ **It would be interesting to present more descriptives**
  - More evidence across the size distribution of firms
  - Which industries are driving the results?
  - Which countries (e.g., differences in fiscal support, EU vs. US)?
  - Eventually include 2022 data (also interesting in light of the effect on industry dynamics)

Conceptual framework

· Firms are oligopolists à la Cournot
  - n firms with potentially different marginal costs during shortages
  → Marginal costs of superstars diverge from that of other firms during shortages

  P1 – Firm i's market share and markup increase when supply chain shortages increase

  P2 – Supply chain shortages lead to an increase in the dispersion of market shares across firms and to an increase in industry's HHI

- Observationally equivalent to a model with an increase in demand for superstar firms
  · Demand shock might happen because of the shortage (superstars are more reliable in shortages)
  · Demand shock might also happen because of inflation (market power + adaptive expectations)

A model for 2021? Or also 2022?

· **The authors document that, during supply chain shortages, ...**
  - ... suppliers favor superstar customers
  - ... superstar firms increase their market share, profitability, and markups
  - ... concentrated industries become even more concentrated
  $\rightarrow$ What about other types of shocks? Climate, uncertainty, global trade restrictions?

$\rightarrow$ **Now imagine a world with supply chain shortages but no generalized inflation (2021)**
  - Superstar firms still get a favorable treatment by their suppliers
  - Would we still observe higher markups? Probably yes according to this paper

$\rightarrow$ **Now imagine a world with generalized inflation and supply-side shocks (2022)**
  - Inflation expectations are heightened *across* products
  - Superstar can exploit their market power

Summarizing

- **Insightful and impactful paper**
  - Important contribution to our understanding of cost-push shocks

- **My suggestions**
  - More descriptives, like variation across industries and countries
  - A model of 2021? Or also of 2022?
  - Clarify the assumptions behind the aggregation exercise