

## *Seminar*

# “Retail Prices in a City”

*(in English)*



**Professor Saul LACH**

**Professor**

**Department of Economics**

**The Hebrew University of Jerusalem**

**Date: 8 October 2018 (Monday)**

**Time: 4:00pm – 5:30pm**

**Venue: WYL314, 3/F, Dorothy Y. L. Wong Building**

### **Abstract**

We study grocery price differentials across neighborhoods in a large metropolitan area (the city of Jerusalem, Israel). Using CPI data on prices and neighborhood-level credit card data on expenditure patterns, we document important variation across residential neighborhoods. In particular, residents of peripheral, non-affluent neighborhoods are charged some of the highest prices in the city and, despite this fact, display a low tendency to shop outside their neighborhood of residence. Residents of affluent, centrally-located neighborhoods typically enjoy lower grocery prices in their own neighborhood, as well as better access to attractive shopping destinations in the city's commercial districts. We study the role of spatial frictions via an estimated structural model in which households determine their shopping destination, and retailers choose prices. The estimated model reveals that households' demand displays strong spatial segmentation. Counterfactual analyses indicate that policies that alleviate the spatial frictions yield considerable benefits to the average resident of the peripheral neighborhoods by virtue of facilitating access to attractive shopping locations. Such interventions, nonetheless, barely affect the level of grocery prices charged across the city in equilibrium, and so do little to benefit households with limited mobility.

### **Biography**

Saul Lach is a full professor in the Department of Economics at The Hebrew University of Jerusalem, where he teaches since 1988. He obtained his Ph.D. at Columbia University and held visiting positions at Georgetown University and the Federal Reserve Board in Washington D.C. Lach holds the holds the Wolfson Family Chair in Economics since 2007.

**All Are Welcome**

**For enquiry: 2616 7190 (Carrie)**