

## Comment

**Guillermo Cruces:** This article presents a careful and detailed analysis of a little-examined aspect of households' coping strategies during crises: searching for lower prices. The evidence on this phenomenon is compelling, and the results indicate its quantitative significance during the 2001–02 crisis in Argentina: despite lower quantities bought and expenditure levels, consumers do more shopping search to obtain lower prices. The authors also develop a simple model to rationalize this behavioral reaction. Its theoretical underpinnings can be found in the literature on price dispersion during inflationary periods and on the economics of search. In a nutshell, the intuition is that individuals face lower opportunity cost of time because of unemployment and lower wages in a context where higher price dispersion induces more arbitrage opportunities—search has a higher expected payoff. The analysis is based on an original type of data source, marketing research pseudopanel of households' expenditure, which has been underexploited in the applied literature on Latin America. The analysis also includes a series of interesting and less documented aspects of the 2001–02 crisis and the ensuing banking restrictions (*corralito*), for instance, the evolution of the premium to obtain cash from restricted bank accounts. Moreover, the authors incorporated into this final version all of the comments and suggestions made by the editor and by the journal's panel members. Thus this brief comment will not delve into the document's particulars but rather will focus on the place of the results in the current economic literature and on their implications for economic policy and for further research.

### **Coping Strategies during Economic Crises: Res, Non Verba (Actions, Not Words)**

Economic crises have been widely studied from both micro- and macro-economic perspectives, and unsurprisingly, there is a vast applied and theo-

retical literature based on Latin American repeated inflationary episodes. Argentina's 1999–2001 crisis and 2001–02 recession had severe social and economic consequences, although documenting their permanent effects has proved more difficult.<sup>1</sup> There is also a literature on household coping strategies, and the article by McKenzie and Schargrotsky cites the work of Fiszbein and colleagues, based on a survey designed specifically to assess the effects of this economic crisis.<sup>2</sup> The latter constitutes a fundamental reference for this type of study and provides a wealth of evidence on coping strategies adopted by households. McKenzie and Schargrotsky's study can be encompassed within this context, but their work is an essential complement. The evidence documented in the Fiszbein study refers mainly to respondents' *stated* strategies, which might be subject to a certain degree of distortion.<sup>3</sup> For instance, it is likely that the context of a deep economic crisis and the kind of questions in the survey might predispose respondents to emphasize negative aspects of their experience. While the essence of the results is not in doubt, their magnitude might be biased—for instance, 92.3 percent of the sample in the Fiszbein study reported “substituting for cheaper food,” including 84.8 percent of those in the highest income quintile (see table 8 from the current article). McKenzie and Schargrotsky, on the other hand, provide evidence on households' *actions* and actual (rather than stated) strategies. The coincidence of the evidence regarding shopping patterns in both papers is reassuring and mutually reinforcing (see table 8) and provides a strong justification for the results and for the interest in studying this mechanism.

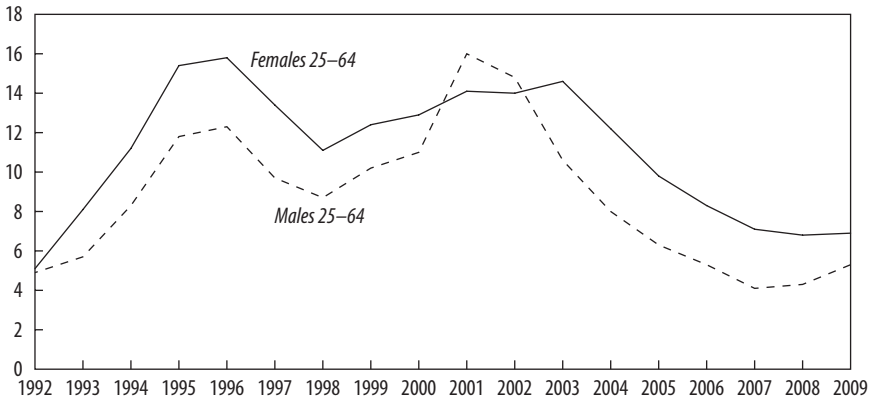
It should be noted that this type of behavior (searching for lower prices) is deeply rooted in popular culture, as witnessed by Lita de Lazzari's advice to housewives, quoted at the beginning of the article. Gender differences are a point only partially discussed in the article. While addressing the advice only to women probably perpetuates harmful cultural stereotypes, patterns in unemployment, hours worked, and hourly wages (see the figures 6–8) indicate gender differentials in the crisis's impact on time not spent in market work. While unemployment levels were higher for men during the crisis period, labor force participation levels were substantially lower for women, and their nominal wages and hours worked fell significantly more than those of men. These trends suggest that women experienced a larger fall in the opportunity cost of time during the crisis. Moreover, recent evidence suggests that women in

1. See Gasparini and Cruces (2010) for a discussion of the crisis and evidence of its lasting impact.

2. Fiszbein, Giovagnoli, and Aduriz (2003).

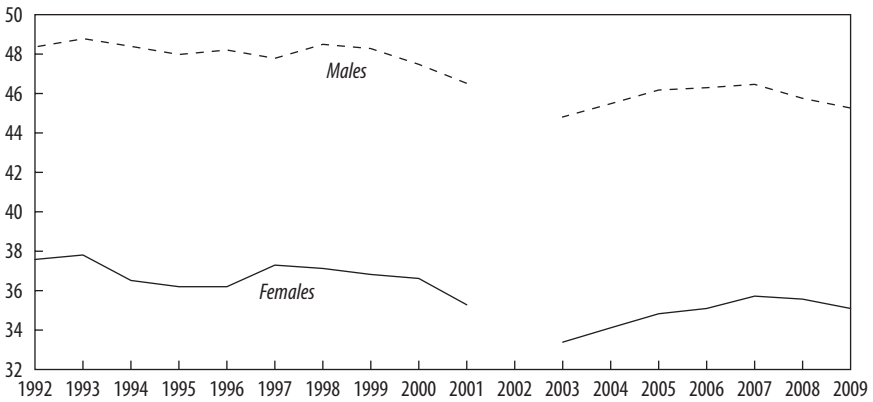
3. See Bertrand and Mullainathan (2001).

**FIGURE 6. Unemployment Rate, Males and Females Aged Twenty-Five to Sixty-Four, in Urban Argentina, 1992–2009**



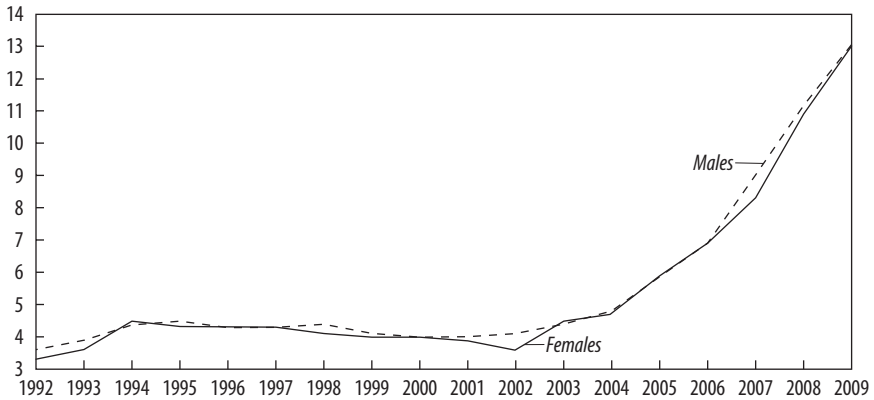
Source: Author's calculations from INDEC, *Encuesta Permanente de Hogares*, various years.

**FIGURE 7. Weekly Hours Worked, Males and Females Aged Twenty-Five to Sixty-Four, Urban Argentina, 1992–2009**



Source: See figure 7.

**FIGURE 8. Nominal Hourly Wages, Males and Females Aged Twenty-Five to Sixty-Four, Urban Argentina, 1992–2009**



Source: See figure 7.

Ecuador have a better grasp of the evolution of prices, reinforcing the potential salience of gender differentials in the context of costly price search.<sup>4</sup>

## Policy Implications

The evidence in this article indicates that one of the coping strategies of Argentine households during the crises implied spending more time shopping to obtain lower prices. In its conclusions, the article briefly mentions some of the policy recommendations that might emerge from these results, although this was not the objective of the article itself. While the immediate implication of this study is that price search pays off, at least when the opportunity cost of time is very low, the findings also prompt a wider discussion of potential areas for public intervention.

Some place the origin of modern price regulations in nineteenth-century England, when economists noted that undertakers were taking advantage of their clients' distress (since mourning and funeral services price search seem hardly compatible) by charging exorbitant fees for their services.<sup>5</sup> The con-

4. Carrillo and Emran (2009).

5. Ekelund and Ford (1997).

sequent controls, however, were introduced in a market with very specific characteristics. The size of the effects reported in this article suggests that some form of public intervention in extraordinary times might improve the welfare of the most vulnerable, for instance, during a major economic meltdown as in Argentina or immediately after a natural disaster (anecdotal evidence suggests episodes of rampant price increases during the recent earthquake in Chile).<sup>6</sup> However, one should tread carefully in this area, given the overwhelming evidence on the ineffectiveness (at best) of price controls in Latin America.

The essence of the results indicates that in some extraordinary periods, there is an increase in price search payoff because of higher price dispersion or reduced availability of information to households, or both. In either case, the problem is related to information, which suggests a potential role for the state in such exceptional times: it might provide a low-cost public good in the form of reference prices for basic foodstuffs and other essential items.

## Further Research

This article should motivate more research on household coping mechanisms during crises and on the importance of information availability for aggregate welfare. In terms of the existing results, further work could analyze changing patterns from time use surveys (which are emerging in the region); for instance, these studies could complement the results in the article by providing evidence on gender patterns of search, and on “unsuccessful” or merely exploratory price searches (those that do not end up in a purchase and are not registered in the article’s data source).

Further research could also try to disentangle the relevance of different channels—that is, increased price dispersion and reduced information availability for households—and the implications of these noncompetitive settings for market equilibrium. This is related to the recent literature on the micro-dynamics of price rigidities and also to the growing number of studies on the substantial effects of information provision on market outcomes.<sup>7</sup>

6. I owe this observation to Oscar Landerretche, member of *Economía*’s panel.

7. See, respectively, Cavallo (2010) and Chetty and Saez (2009, and the references therein) for research in these areas.

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