Thanaporn Sumiphan 5904641411

Summary Paper: Brown and Goolsbee(2002)

Part 1: Description of the paper

From reading this paper I found that the main question which this paper tries to answer is "Does the Internet make the market more competitive in an aspect of Life Insurance industry?" The authors of the paper used Econometrics: Hedonic type regression method to run for the answer which, furthermore, I think they use the cross-sectional type of data since it had stated in the paper that they have collected Internet and life insurance industry data sets over time. The author obtained those data from LIMRA International and Forrester which LIMRA provides individual policy-level microdata on the prices of insurance policies as well as various owner and policy characteristics and Forrester provides microdata on the growth of Internet usage and om-line insurance research by the same owner characteristics. In the hedonic regressions of the price of life insurance, they controlled the policy characteristics and a variety of individuals and groups of using the internet overtime or researching insurance online.

The result has shown that the more growth of the Internet on on-line research insurance, the more their quality-adjusted price fall, lowered the price dispersion and increased consumer surplus by $115-215 per year. However, the result of the growth of Internet appeared to reduce the price was seen to be robust in term life policies, but it cannot be applied to the price of whole life policies since it wasn't covered by the internet insurance comparison sites, and the growth of internet use before 1996 since the insurance comparison sites didn't exist yet.

Part 2: Reflection on the paper

For me, I feel like this paper may not be interesting enough for people in nowadays since from the research question that "Does the Internet make the market competitive?" we kind of already know the answer from the real-world evidence, in nowadays, everyone uses their internet for searching products, buying products online and comparing the price of products through Internet normally all the time which make the market very competitive. After knowing the answer, it ensured me again in what I believed: the internet makes the market more competitive. As a consumer, I think it benefits us since we know how the market becomes more competitive, how to get more consumer surplus, and how to make the larger welfare. The economics theories stated in this paper are Nash equilibrium, Asymmetric theory, and Price discrimination. I think the method adopted to answer the research question is already appropriated but the variables used in econometric models not appropriated yet since many additional variables are dummies-variable which may not be able to explain clearly in some groups of people. If I have to think about the additional control variables, I would say the income and insurance agency reputation rate. I think the results are convincing because we can see a significant change in results before and after having Internet and Insurance comparison sites.