

Brown and Goolsbee (2002) - Does the internet make markets more competitive? Evidence from Life Insurance Industry.

This paper try to examine that "Does the internet make markets more competitive?" and provide empirical evidence on how Internet comparison shopping sites affected the price of life insurance in the 1990s. By using individual policy-level micro data from LIMRA International on the price of insurance policies and match with microdata on the growth of internet usage, then they analyze by running a hedonics regressions to see the relationship of price of life insurance on characteristic of policies and individuals. They totally use 9 variables, the dependent variable is the log of annual premium per 1,000\$ of face value of insurance and the main variables of interest in this paper is the internet variables also including some standard variables such as age dummies and gender dummies. After all they conclude that as the share of people in a group that use the internet to research insurance on-line grows, the more quality-adjusted price falls, furthermore, the internet has an ability to reduce search costs can have a significant impact on market power as their results

I think the topic or the questions are interesting enough and we can at least understand the pricing concept of the financial product in this area of growing internet. The economic theories are the pricing strategy and the market system. The different competitive-levels give a different ability for each owner to decide and ability to markup higher prices. In my opinion, I think the adopted method and used variables in econometric models are all appropriated because they include variables that is specific enough to run the regression and get the results that quite interesting and convincing me well. Because of the reliable source of data, how they analyze on the relationship of insurance price policy and on-line internet grow, last one is the more deeply explanation on "the alternative explanations" part that these concern issues may affect the result of their study.