Discussion of
"Post-Pandemic Price Flexibility in the U.S.: Evidence and Implications for Price Setting Models"

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2025 Macroeconomic Policy Perspectives Conference

This Paper: most complete picture of U.S. price setting for 2020–24

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2. The probability of a negative price change rose a little
3. The absolute value of price changes stayed roughly constant

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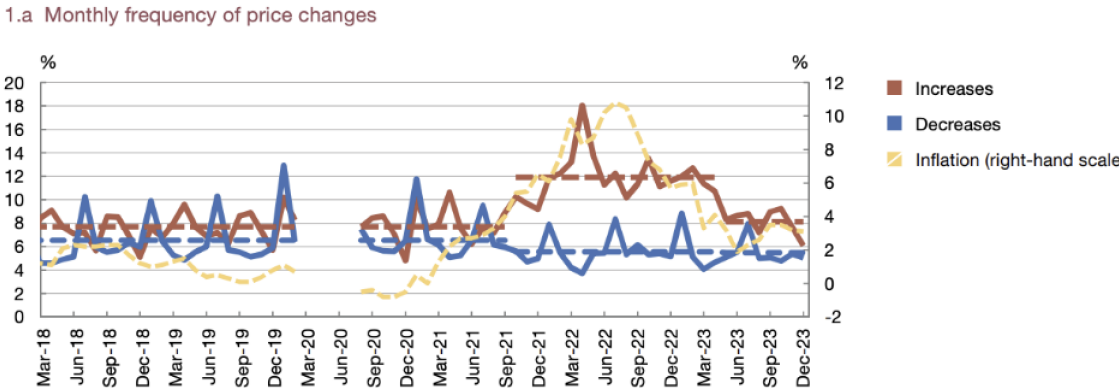
Consistent with patterns in Spain (Banco de Espana 2024)



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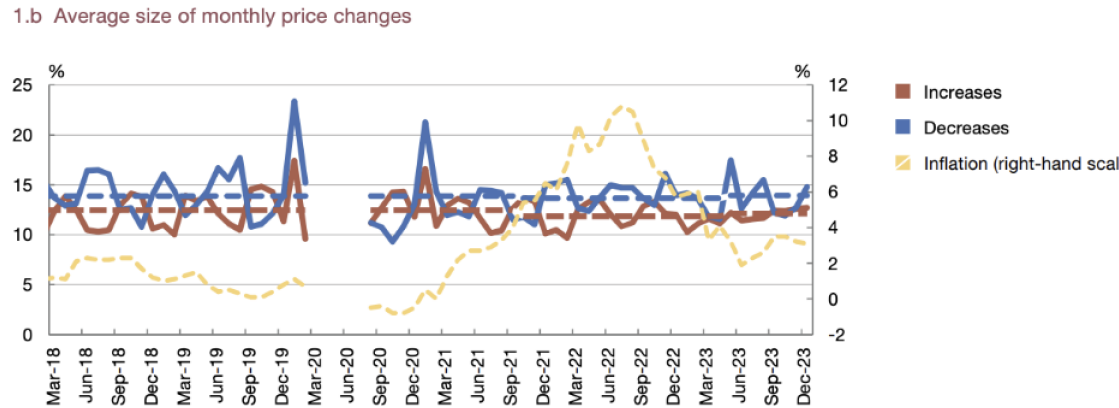
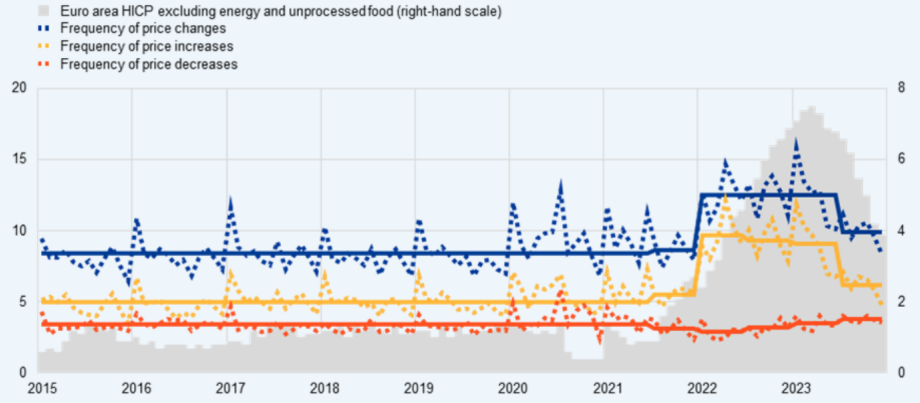


Consistent with patterns throughout ECB (Dedola et al 2024)



Source: Consumer price micro-datasets from the national statistics institutes of Germany, Estonia, Spain, France, Italy, Latvia and Lithuania.

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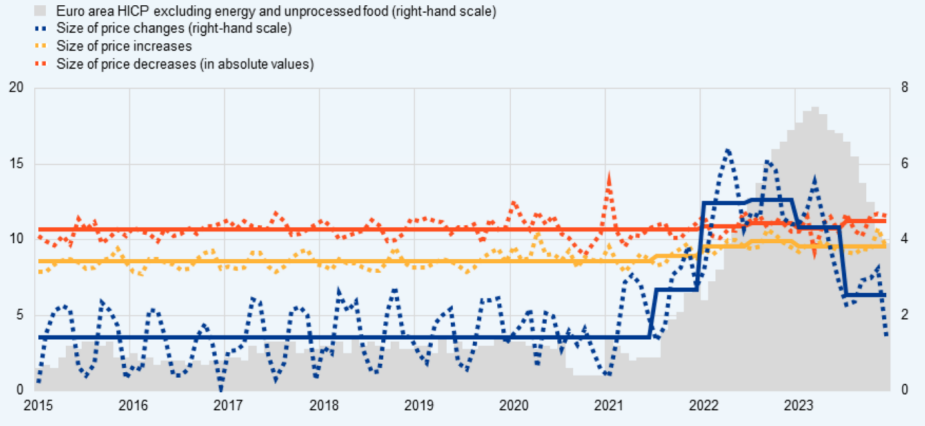

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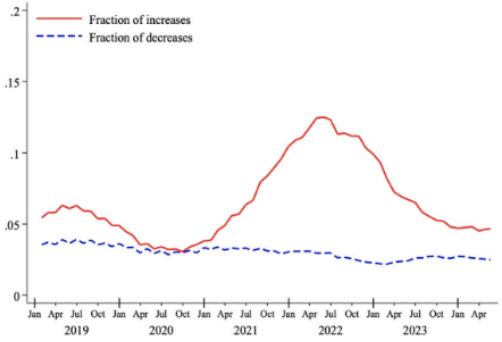
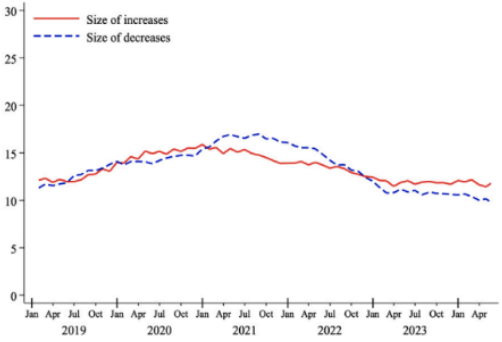
Consistent with patterns for large multinational retailers (Cavallo and Kryvtsov 2024)



(a) Fraction of reg price changes (USA)



(b) Size of reg price changes (USA)

Implications of these findings for models

- Why do we care about whether this is consistent with Calvo/Menu Cost model?
  - Quicker price responses to larger shocks (e.g. Cavallo, Lippi, and Miyahara 2024)
- This mostly looks like the predictions of a standard menu cost model except:
  - The rise in the frequency of price changes was "too large"
  - The dispersion of price changes didn't fall
- I think the key empirical pattern creating the tension: the elevated price decreases

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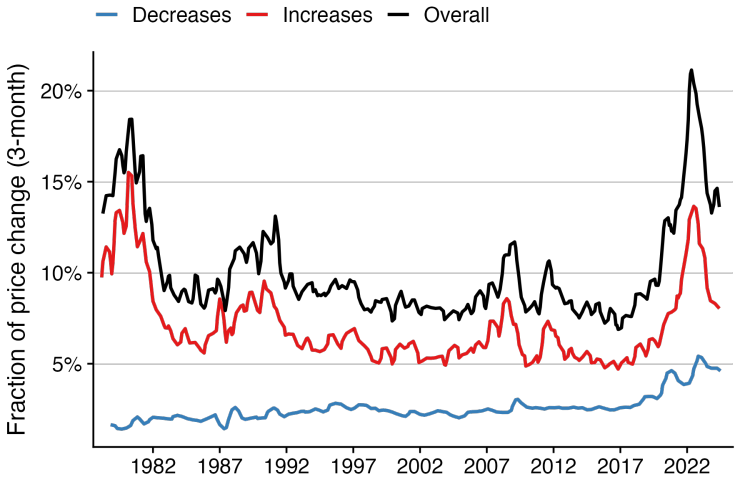
The rise in frequency of price decreases through 2020-2024



Unpacking the micro-foundations for the post-2020 changes

- The paper proposes 2 broad explanations for the post-2020 differences:

  1. A fall in the menu-cost

  2. A rise in idiosyncratic/sectoral shocks

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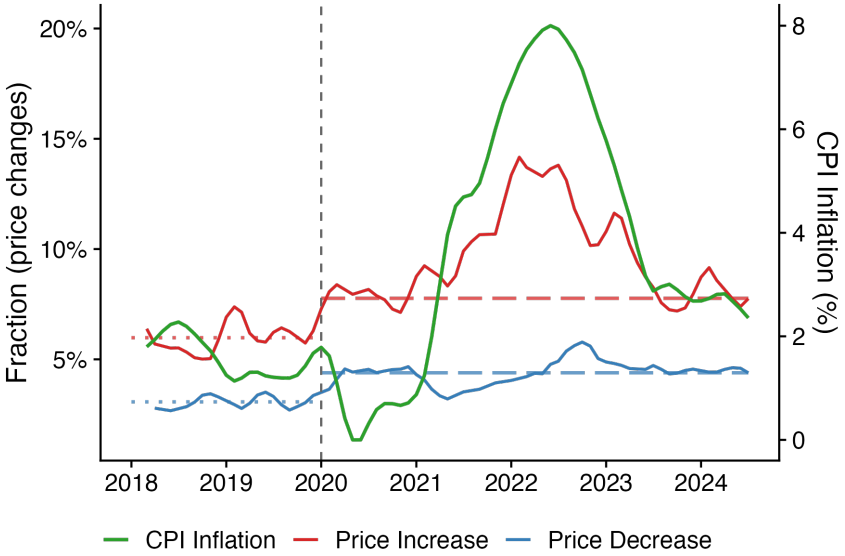
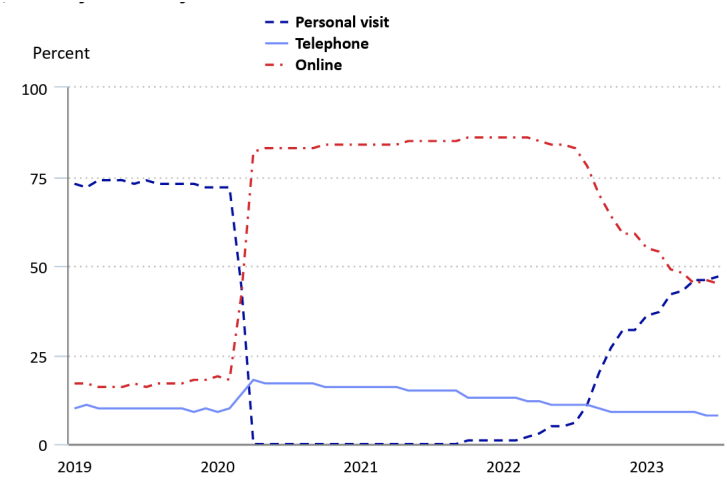
The frequency of price changes jumped in 2020 (before inflation)



This rise coincided with a switch to online price collection



Could the switch online have driven the shift?

- Cavallo (2017) shows online prices have similar properties *within stores*
- However, effect on CPI could be meaningful since online price collection induces selection (e.g. Gorodnichenko and Talavera 2018)

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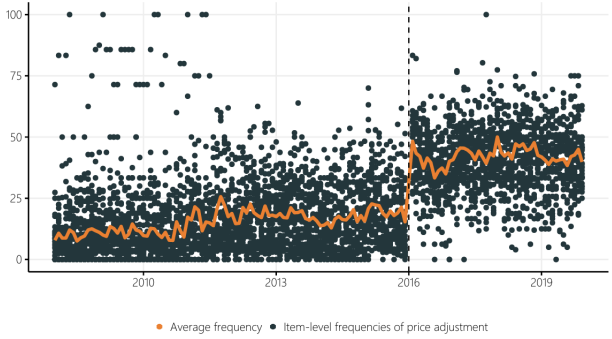
- Evidence from Switzerland (Rudolf and Seiler 2025)



Conclusion

- This paper: clean micro facts for 2020–24:
  - Frequency up, absolute size flat, sign mix is where all the action is
  - Patterns largely consistent with other countries
- Pervasiveness of price decreases during this period is most "surprising" for a simple menu-cost model
- Would be interesting explore explanations for these changes in future work