

# How to Detect and Measure Labor Market Collusion?

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Discussion by Ricardo Ribeiro

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# Introduction

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- The author uses linked player-team data for the period between 1960 to 2000.
- In the first part of the paper, he proposes to estimate (using a reduced form method) the wage loss of the collusion in Major League Baseball (MLB) between 1986 and 1988.
- However, part of the players in the data, if I understood correctly, are precluded from changing teams during the first years of experience.
  - The number of years a player is precluded from changing teams ranges from 2 to 6 depending on the year of analysis.

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- Considering the overall sample, if I understood Figure 2(a) correctly, 20% (30%) of the players in the data have less or equal than 2 (3) years of experience.
  - This implies that for almost 1/5 (1/3) of the sample, collusion in MLB would have solely (if any) an indirect impact.
  - It could be interesting to distinguish the estimated wage loss from collusion in MLB between players that are directly impacted (those that would be allowed to change teams) and players that are solely indirectly impacted (those that are precluded from changing teams).
  - Moreover, if the number of years of experience is expected to influence the wage loss from collusion in MLB, shouldn't the proposed inter-percentile differences-in-differences model, control for it?

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## Comment/Suggestion 2

- Continuing with the same line of reasoning, if collusion in MLB is expected to *always* have an impact in the wages of players, even if only indirect for those that are precluded from changing teams.
- Why doesn't this argument apply as well to the players above the 95th percentile?
  - Why is there not even an indirect impact for this group of players?
  - I know the author's argument is mostly empirical (Figure 4), but from a theoretical perspective, what makes this group immune to collusion in MLB?

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## Comment/Suggestion 3

- The author proposes an inter-percentile differences-in-differences approach to estimate the wage loss from collusion in MLB.
  - Because each percentile of players may have different characteristics (in addition to the number of years of experience discussed above), which can influence wages, it could be important to *also* control for these differentiating characteristics in the estimation.
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- However, in the empirical application, when modeling bidding costs, which structurally control collusion, the author allows for period (i.e., pre-cartel, cartel, and post-cartel) fixed-effects, as well as period-varying parameters.
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