

Discussion of “From Border to Basket: Pass-Through of U.S. Trade Policy to Consumers”

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Paper summary

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 - ▶ And a concordance of Nielsen products to HS codes.

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 - ▶ Still a very open question.
- Micro-data (NielsenIQ) on sales and prices for 2015–2020 aggregated to barcode-retailer-month.
 - ▶ Combined with country-of-origin information, some newly collected for this paper.
 - ▶ And a concordance of Nielsen products to HS codes.
- Main results:
 - ▶ 15.5% pass-through
 - ▶ A sizable but less precisely estimated drop in quantities purchased

Explaining the “small” pass-through

- Price increases of non-tariffed goods (the control group)
 - ▶ Tariff smoothing by retailers
- “Shrinkflation”: 33% pass-through at a higher level of aggregation
- Foreign cost shares (“constant dollar” rather than “constant percent” margins, Barbiero and Stein 2025)

Heterogeneity

- Higher pass-through for—and less substitution away from—high market share goods
- Lower pass-through at larger retailers
- Lower pass-through at retailers with a high share in firm sales (retailer bargaining power with suppliers)

Suggestion #1: More intuitive organization

$$\text{Estimated PT} = \text{Retailer Cost Factor} \times \text{Retailer PT}$$

- Cost factor may be influenced by:
 - ▶ Absorption at the border, absorption by domestic distributor/suppliers, import cost share
- Retailer PT may be influenced by:
 - ▶ Retailer pricing strategies, demand elasticities

What are retailers passing through?

- Less border pass-through for undifferentiated goods (Cavallo et al. 2021). Could this be more relevant for grocery products?
- Bargaining power: Larger firms saw larger exporter tariff absorption (i.e., lower pre-tariff prices) (Cavallo et al. 2021).
 - ▶ Could apply to domestic distributors/suppliers too.
- Import costs are only a fraction of total costs.
 - ▶ Is estimated pass-through under “constant” dollar markup assumption higher?
 - ▶ Amiti, Redding, Weinstein (2019) estimate of coefficient on tariffs *times import cost shares* is just under 2 using NAICS6 PPI price indices.

Do comparisons between narrowly defined goods that are affected vs unaffected correctly measure pass-through?

You may have seen that goods inflation moved up pretty significantly in the first two months of the year. Trying to track that back to actual tariff increases, given what was tariffed and what was not—very, very challenging.

– Fed Chair Jerome Powell, March 2025 FOMC Press Conference

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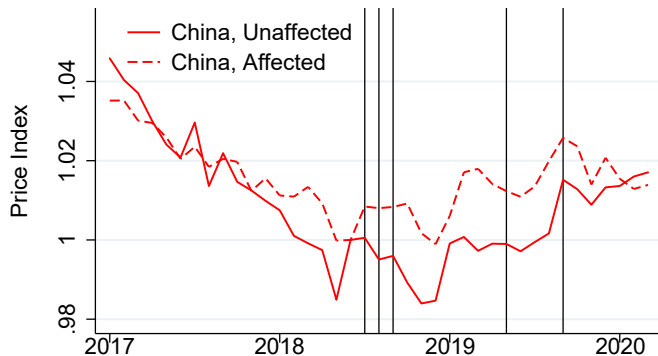
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- Estimates that compare very narrowly-defined products reveal low rates of pass-through.
- However, pricing strategies of firms or retailers, especially large ones with many products, raise pitfalls for this method.

Prices of unaffected goods also went up in 2018–2019.

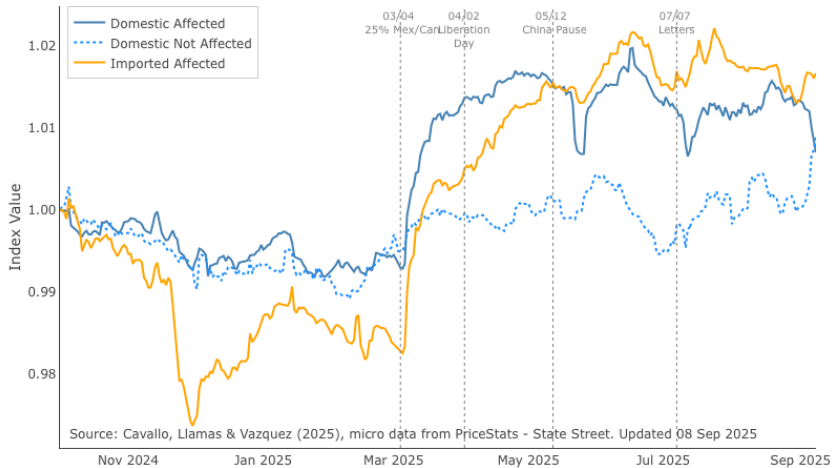
Prices from Two Major Retailers



Sources: PriceStats, Billion Prices Project; Cavallo et al. (2021)

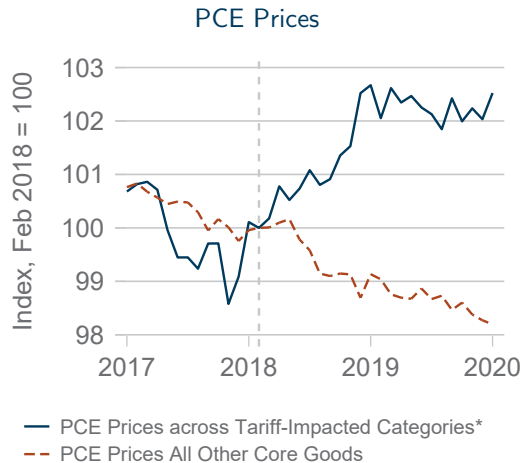
And in 2025.

Prices from Five Major Retailers



Sources: HBS Pricing Lab Tariff Tracker; Cavallo, Llamas, and Vazquez (2025)

Greater pass-through in more aggregated categories

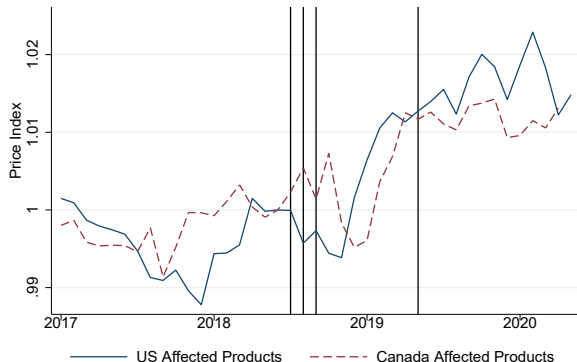


- Comparing more broadly-defined categories shows more complete pass-through with prices rising more quickly for affected categories.

*Includes: major household appliances; furniture; household linens; carpets and other floor coverings; motor vehicle parts and accessories; sports and recreational vehicles; and household supplies.
Source: Bureau of Economic Analysis / Haver Analytics.

Greater pass-through in more aggregated categories

Consumer Prices of Affected Products: US vs Canada

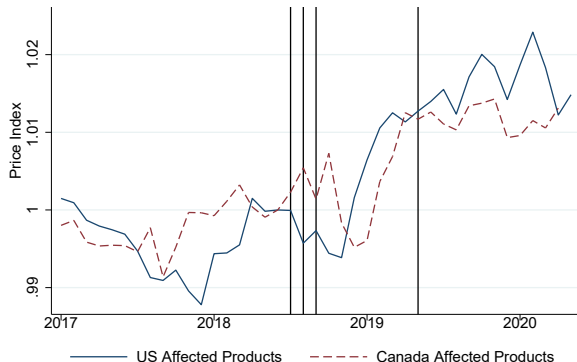


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- Comparing more broadly-defined categories shows more complete pass-through with prices rising more quickly for affected categories.
- But it's harder to tie this higher broad inflation directly to tariffs as prices in Canada for the same categories behaved similarly.
- Analysis in this paper with many retailers is more convincing of spillover pass-through to unaffected products.

Does accounting for slower pass-through raise estimates?

- Pass-through can take time especially in the face of uncertainty about policies or effectiveness of firm-level mitigation strategies.
 - ▶ Many other papers about 2018–2019 looked at 12-month pass-through.
- Barbiero and Stein (2025) find using more aggregated PCE price indices that it took prices ~ 6 months to settle to new level, similar to event studies in this paper.
- Andrade et al. (2025) RCT on ~ 600 small and medium-sized businesses surveyed at end of 2024 found full pass-through to take as long as 2 years this time around.
- Suggest looking at both short-run and post-convergence pass-through, not just average of all post-event prices.
 - ▶ There may also be interesting heterogeneity in speed of convergence.

Suggestion #2: Clarify whether retail pass-through is actually small

- Is the 33% unit value pass-through estimate the correct one to look at?
- Does this become even higher once we allow that firms are passing along dollar costs and not maintaining constant-percent margins?
- With the vast majority of products not being affected, are even very small price increases in unaffected products sufficient for retailers to fully recover tariff costs?
 - ▶ Did the retailers like the ones in the NielsenIQ dataset take hits to their aggregate profit margins in 2018–2019?
 - ▶ Clarifying “full” pass-through versus cost recovery can be informative about profit or markup comovement with cost shocks.

Minor comments

- Think more carefully about interplay of different results
 - ▶ For example, is retailer size heterogeneity reflecting market power heterogeneity?
- Be more consistent about seasonality

Conclusion

- Great paper with many interesting results!
- Could benefit from more economically intuitive organization and accounting of the implications of estimates.
- Suggestion #3: Better organization can also guide the needed discussion of generalizability to other parts of the consumption basket.