

## **The Market for High-Quality Medicine**

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### **Abstract**

This study examines the effect of chain store entry on drug quality and prices in the retail pharmacy market in Hyderabad, India. In contrast to prevailing mom-and-pop pharmacies, chains exploit scale economies to offer high-quality drugs at lower cost. With a unique data set and a natural experiment methodology, we show that chain entry leads to a relative 5 percent improvement in drug quality and a 2 percent decrease in prices at incumbent retailers. These changes do not depend on the socioeconomic status of consumers, suggesting that chain entry improves consumer welfare throughout the market. Despite the likely role of asymmetric information in this market, we show that consumers partially infer these quality improvements. Our findings suggest that in markets with asymmetric information, organizational technologies such as chains may play an important role translating greater demand into higher quality. Click here for the full paper.

Click here for the full paper. <http://home.uchicago.edu/~dmbennett/chainentry.pdf>

### **Speaker's Profile:**

Daniel Bennett is an assistant professor at Harris School of Public Policy, University of Chicago. He is an applied micro-economist who specializes in economic development and health economics. Bennett's research considers the economic and behavioral aspects of international health issues such as emerging infectious diseases and pharmaceutical markets in developing countries. His work frequently highlights how market failures, such as externalities and public goods, contribute to these public health problems. One recent paper looks at household sanitation and diarrheal disease in the Philippines and finds that households become dirtier once clean drinking water is available. In other work, Bennett finds that health care competition leads to more antibiotic prescription and antibiotic resistance in Taiwan. Bennett received his PhD in economics from Brown University in 2008, his AM in economics from Brown University in 2004, and his BA with high honors from Swarthmore College in 2001. He worked as an assistant economist at the Federal Reserve Bank of New York from 2001 to 2003 and served as a consultant to the United Nations Development Programme from 2000 to 2001.

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