

Discussion: Productivity, Misallocation and Trade

Jan De Loecker
Princeton University
NBER and CEPR

CompNet ECB
June 2015

Approach

- ▶ Rely on OP decomposition and verify to which extent trade has triggered productivity growth.
- ▶ Focus on the distinct role of:
 - ▶ within-firm improvements,
 - ▶ resource reallocation.
- ▶ The authors find that import competition loads on within, and export demand on reallocation.

Comments 1

- ▶ As far as I could see we rely on labor productivity and the role of capital is important in reallocation
- ▶ In particular since reallocation can take time to materialize with significant adjustment costs, here both in labor and capital
- ▶ In other words, what happens when we use TFP?
- ▶ Can we move away from the regression framework and first inspect pure time series patterns of the various components?
- ▶ How do we deal with resources flowing outside units considered – across industries.

Comments 2

- ▶ Anticipating discussion later, this paper pushes us in the right direction by correlating the covariance term to observable changes in the environment of firms.
- ▶ Measurement of labor productivity:
 1. Better alignment of output and efficiency?
 2. Pure price/ effects?
- ▶ In light above, increased imports move aggregate price levels around? Export opportunities improve margins, or access to cheaper inputs?
- ▶ Tell us more about the characteristics of the firms to which resources are flowing to.

Comments 3

- ▶ In addition to missing capital this decomposition does not weigh by marginal products.
- ▶ In an economy absent any friction we cannot improve aggregate productivity by moving resources towards more productive firms, but we could still compute positive OP covariance – Petrin and Levinsohn (2014).
- ▶ Of course, premise here is that trade barriers somehow prevented equalization of MRP of inputs.
- ▶ Therefore can you directly compute $disp(MRPL)$, $disp(MRPK)$, $disp(TFPR)$ and whether these objects responded equally.

Comments 4

- ▶ At the end of the day the sample is industry/year/country and fixed effects, do we have enough variation to tease effect on say covariance.
- ▶ Covariance changes over time are hard to interpret, especially year on year, would go for decade difference at least. Inspecting the time series directly could be useful.
- ▶ So it has to come from cross-country dimension but the same change in say a tariff will interact with different local policies and market conditions, so what does average effect tell us exactly?
- ▶ I assume all the standard errors are bootstrapped since LHS are all based on estimates of productivity, unless you directly calculate value/worker (could not find this).