Discussion: Productivity, Misallocation and Trade

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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 econonomy 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 responsded 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).