Discussion of “Productivity, (Mis)allocation and Trade”
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Impact of international trade on aggregate welfare and productivity

Bilateral and unilateral export liberalization increase aggregate productivity and welfare, while unilateral import liberalization reduce them when wages are fixed.

In the presence of misallocation, trade liberalisation has an ambiguous effect, especially when wages are fixed.

Empirically they find that exogenous trade shocks have an impact on aggregate productivity consistent with presence of misallocation.

Effect of trade shocks depends on institutional quality.
Discussion

- Very interesting and timely paper. Learnt a lot!
- Very rich paper: theory, numerical simulations, IV, policy...
- Important policy-relevant question: impact of trade in the presence of misallocation
Figure 4A. All countries

Index 2000=1

- Export demand
- Import competition
- Import competition from China
Misallocation

Source: Berlingieri, Blanchenay, Criscuolo (2017)
Some Comments (1)

- Very careful mapping between theory and empirics
- Some important (policy-relevant) lessons: in the presence of misallocation one cannot interpret rise in OP covariance as improvement in allocative efficiency
- Even more so in the presence of structural differences across sectors (outside manufacturing), diminishing returns etc.
Size-Productivity Premium

Source: Berlingieri, Calligaris, Criscuolo (2018)
Some Comments (2)
Interpretation of Results

- Paper proves convincingly the presence of misallocation. Less convincing is interpretation of results as impact of trade on misallocation via changes in OP covariance interpreted as allocative efficiency (in the theory misallocation is given)
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- A lot of emphasis on effect of import competition but not always very precisely estimated (and also small variation in numerical simulation)
Role of Institutions

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Some Comments (3)
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- Emphasis on aggregate productivity and too little on welfare.
Some Comments (3)

- Empirics:
  - I would have found it intuitive to study changes over time. Hence setting with country-sector & year (country-year) FE. S.e. clustered at country-sector level
  - Presence of some outliers for import competition: what are they? They might work against you
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- Effects on firm selection is analysed looking at first percentile, but of log LP. Importance of negative VA firms. Zombie firms? Importance of credit frictions?