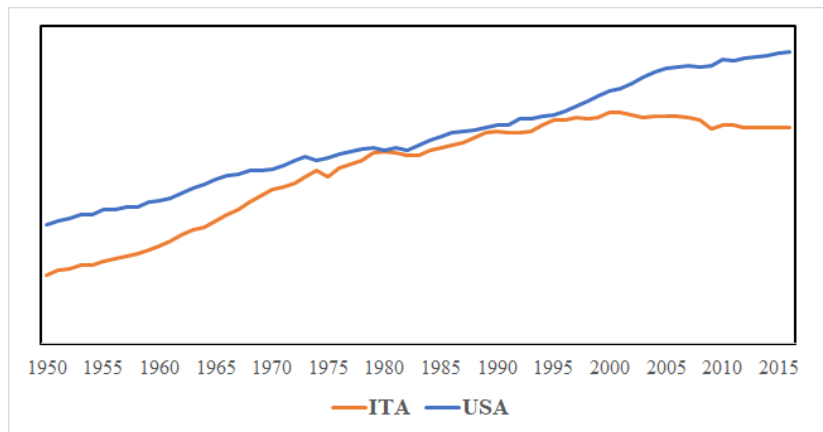


Resource Misallocation in European Firms: The Role of Constraints, Firm Characteristics and Managerial Decisions

Discussion by Antonin Bergeaud (Banque de France)

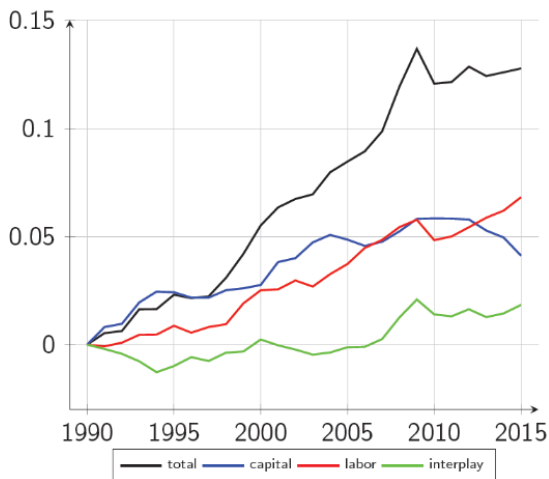
BdF-BdI-ScPo conference on investment
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Large productivity differences



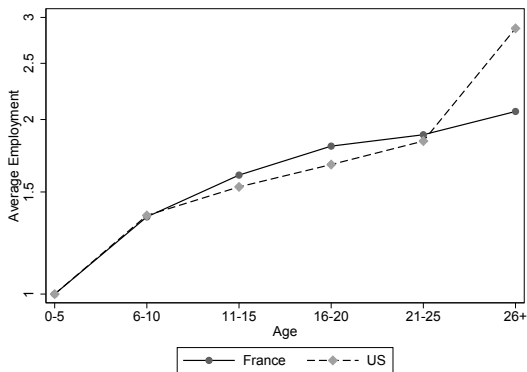
TFP level, Italy and USA. Source: Bergeaud, Cetto and Lecat (2016) - www.longtermproductivity.com

Misallocation has increased a lot



Evolution of misallocation in French manufacturing sector since 1990. Source: Libert (2017)

Evidence of larger misallocation in Europe than in US

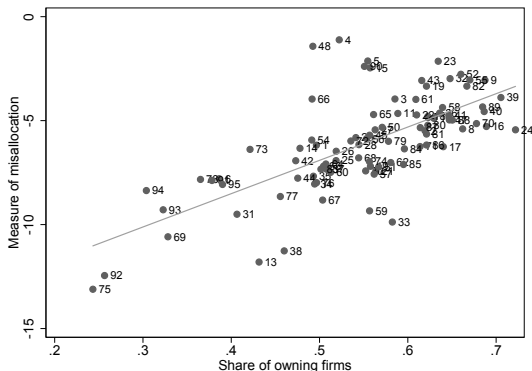


Evolution of size with age in French and US firms. Source: Aghion et al. (2018)

What this paper does

- A large set of papers have replicated Hsieh and Klenow (2009): Dias et al. (2016); Libert (2017); Bellone and Mallen-Pisano (2013); Calligaris (2015); Gaecia-Santana et al. (2015) etc...
- Here: comparable figures for all EU28 countries, corrected for many sector/country/firm specific features.
- Very detailed information to give lead on **the sources of misallocation**.
- Which is a whole new challenge (Restuccia and Rogerson, 2017).

Direct Evidence?



Misallocation and corporate real-estate adjustment frictions. Source: Bergeaud and Ray (2017)

Comments

- Rich theoretical framework (adjustment costs, capital utilization rate, labour quality etc...)
 - ▶ Yet at the end: $MRPK \approx \frac{\alpha}{\alpha+\beta} \frac{Y}{K}$
 - ▶ How about something more structural?
- Variance decomposition (within sector vs between sector; within country vs between country)
 - cross country differences driven by sector composition?
- What about dispersion of TFPR?

Comments (cont.)

- Event studies around single market integration?
- Unrepresentativity of small firms, bias? Compare results to the literature using census data.
- At the end, what explain differences with the US? Firm level variables that have the largest effect are related to dynamics of input and adjustments.
- ... but for this, don't we need to interact X with the fixed effects?

Causes of misallocation

- Restuccia and Rogerson (2017)
 - ▶ Regulation
 - ▶ Property Rights
 - ▶ Trade and Competition
 - ▶ Financial Frictions
- $\sigma(MRPK)$ and $\sigma(MRPL)$ are correlated with PMR, EPL, Doing Business indicators...
- For each of them, we can find an European country that perform better than the US.

Comments (cont.)

- Many information, easy to get lost and some are potentially very correlated. Maybe a PCA could help here?
- Once sector \times country fixed effects are taken out, not easy to understand what some firm survey variables captured (availability of skilled workforce for example).
- Foreign owned firms? Groups? Measurement error? This has been shown to affect HS results in the US.