Discussion of Bloom, Dirko, Van Reenan

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Impact of Chinese Exports

• First order question for international trade over the last 20 years: impact of China.

• A lot of work put into putting different datasets together: EPO, Hart-Hanks, Amadeus.

• A large number of mechanisms as well:
  – We need to through a lot of the pieces a bit more carefully.
  – What is the model that we have in mind.
Model

• Reallocation Margin:
  – Does investment and exit become more correlated with productivity.

• Intensive Margin:
  – Investment in patents or IT.
  – Higher TFP.

• Extensive Margin:
  – Sector switching
  – Exit.
\[ c_{ij}^C = c^C(q_{ij}^h, t_{ij}) \] (1)

Suppose domestic firms have marginal costs \( c_{kji} + \omega \) which depend on use technology \( \omega \in \{\omega, \bar{\omega}\} \) at a cost \( r(\omega) > r(\bar{\omega}) \). As well these costs have distribution \( c_{kji} \sim F(\cdot) \).
Share of the market taken by China at t=2005:

\[ s_{ij} = \int_{\omega_{kij}} F(c_{ij}^C, \omega) \, dw \]  \hspace{1cm} (2)

Where the price of goods in sector \( p_{ij} = c_{ij}^C \) if there are any exports. Thus the firm needs to compare the following:

\[
\begin{align*}
(c_{ij}^C - c_{kij} - \omega + r(\omega))1(c_{ij}^C > c_{kij} + \omega) & \geq \\
(c_{ij}^C - c_{kij} - \bar{\omega} + r(\bar{\omega}))1(c_{ij}^C > c_{kij} + \bar{\omega}) & \quad (3, 4)
\end{align*}
\]
Is China Different

- Focus on Share of exports from China versus share of exports from any country: what is special about China.
- Might want a look at CPI-PPI in sectors which are exposed to Chinese competition as a way to talk about this.
Empirics

• Might want to use some diff-in-diff matching estimators: control for changes in IT use prior to the entry of Chinese exporters.

• Could add this to your two other controls.