

Comments on:

**Do Falling Iceberg Costs Account for Recent
US Export Growth?**

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No.

Accounting for Growth in Exports

- Data:

$$\underbrace{\Delta \frac{x}{y}}_{0.46} = \underbrace{\Delta \frac{\bar{x}}{\bar{y}_x}}_{0.42} + \underbrace{\Delta \frac{\bar{y}_x}{\bar{y}}}_{-0.20} + \underbrace{\Delta \frac{N_x}{N}}_{0.24}$$

Accounting for Growth in Exports

- Can Melitz-style models account for this?
- In Dixit-Stiglitz world

$$\frac{x}{y} = \frac{\iota^{-\theta} Y^*}{Y + \iota^{-\theta} Y^*}$$

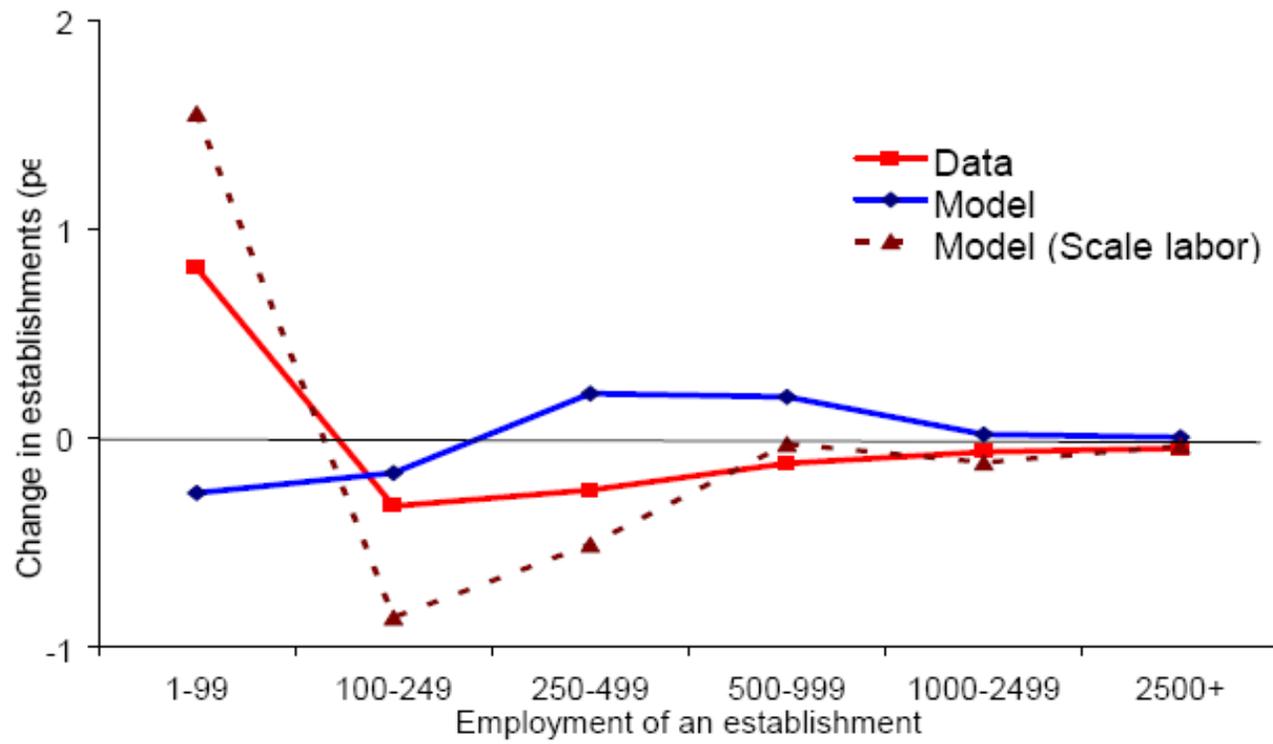
- Back out change in ι to nail $\Delta \bar{x} / \bar{y}_x$

$$\underbrace{\Delta \frac{x}{y}}_{\substack{0.46 \\ 0.80}} = \underbrace{\Delta \frac{\bar{x}}{\bar{y}_x}}_{\substack{0.42 \\ 0.42}} + \underbrace{\Delta \frac{\bar{y}_x}{\bar{y}}}_{\substack{-0.20 \\ -0.22}} + \underbrace{\Delta \frac{N_x}{N}}_{\substack{0.24 \\ 0.59}}$$

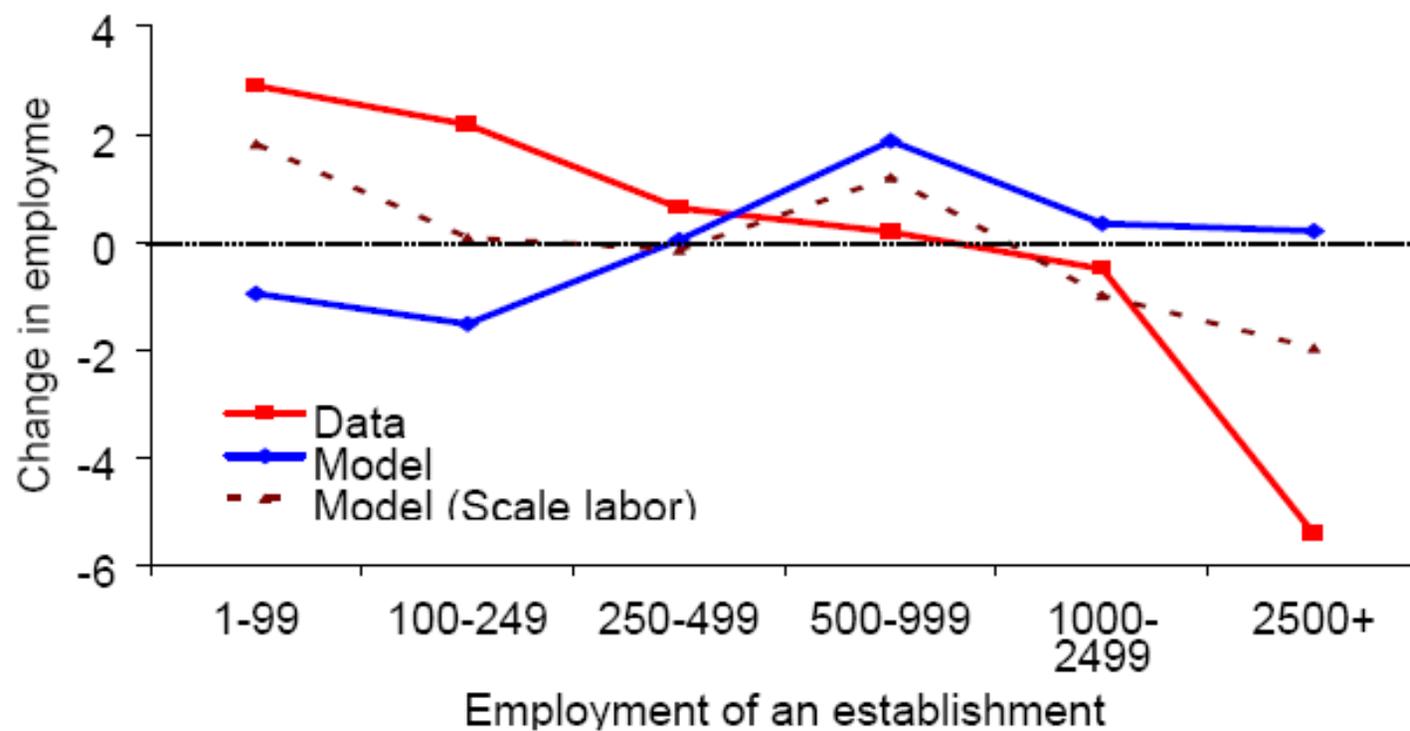
Questions, Questions

- Why is average firm size falling?
 - data: largest firms losing employment share
 - data: smallest firms gaining employment share
- Why is there too much export entry in the model?

(a) Establishment Share



(b) Employment Share



A New Title?

**Do Falling Iceberg Costs Account for Recent
Changes in Firm Size Distributions?**

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Another Hierarchy

- Firms and aggregates:

$$\frac{x(z)}{y(z)}, \phi_x(z), \phi_d(z) \Rightarrow \frac{x}{y}$$

Another Hierarchy

- Firms and aggregates:

$$\frac{x(z)}{y(z)}, \phi_x(z), \phi_d(z) \Rightarrow \frac{x}{y}$$

- Another layer:

$$\frac{x_i(z)}{y_i(z)}, \phi_{x,i}(z), \phi_{d,i}(z) \Rightarrow \frac{x_i}{y_i}, \phi(i) \Rightarrow \frac{x}{y}$$

Why Industries?

- Firm in an industries may be more homogeneous
 - Face the same set of competitors
 - Face similar demand curves (θ_i)
 - Produce similar goods (l_i)
 - Policies set at “industry” level
- Traditional quantitative theory: representative industry
- New quantitative theory: connect firms to industries?

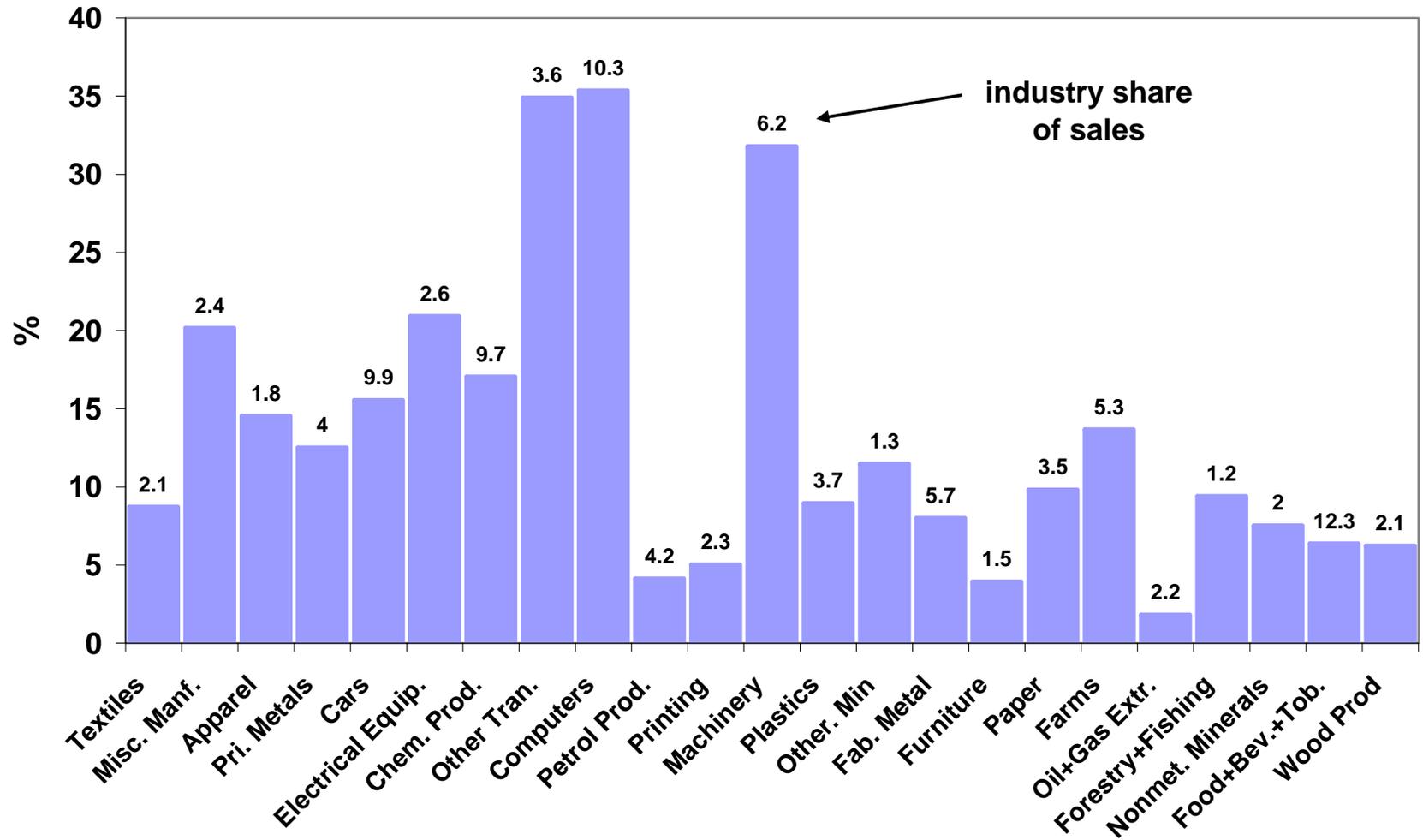
What is Happening to Industries?

- Simple decomposition

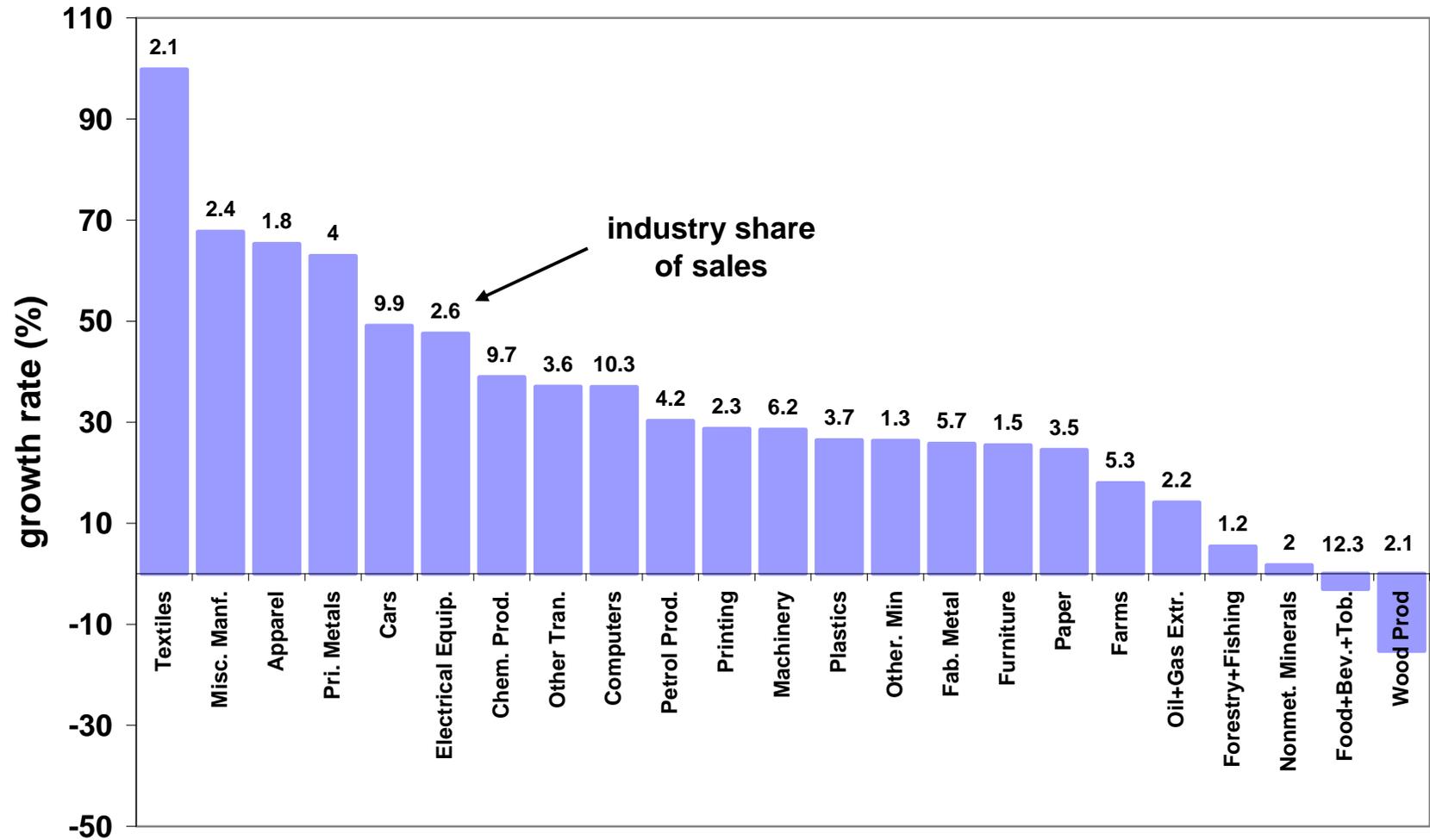
$$\frac{\sum_{i=1}^I x_i}{\sum_{i=1}^I y_i} = \frac{x_1}{y_1} \frac{y_1}{y} + \frac{x_2}{y_2} \frac{y_2}{y} + \dots + \frac{x_I}{y_I} \frac{y_I}{y}$$

- Export intensity of industry i : x_i/y_i
- “Size” of industry i , y_i/y

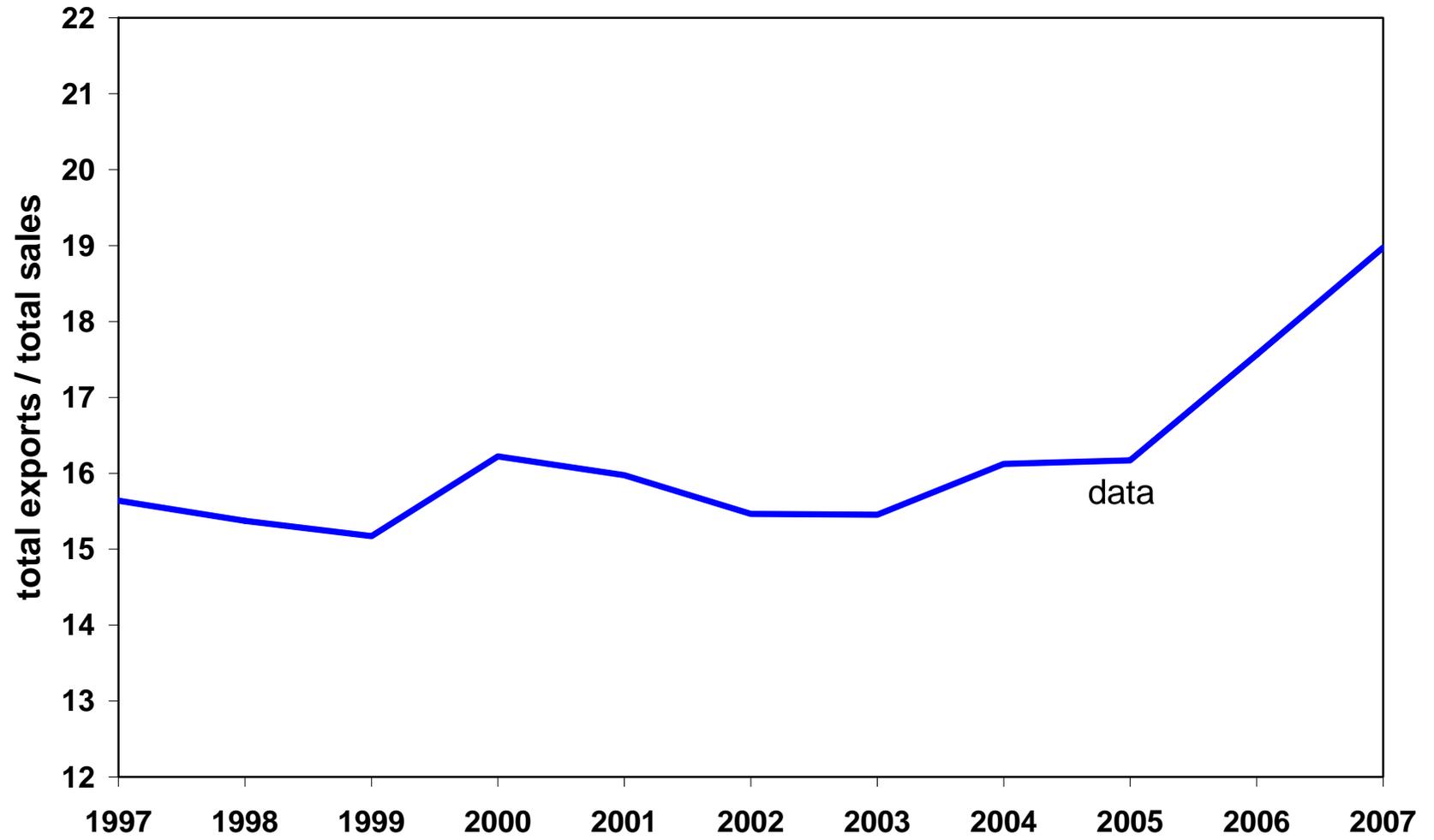
Export-Gross Output Ratio, 1997



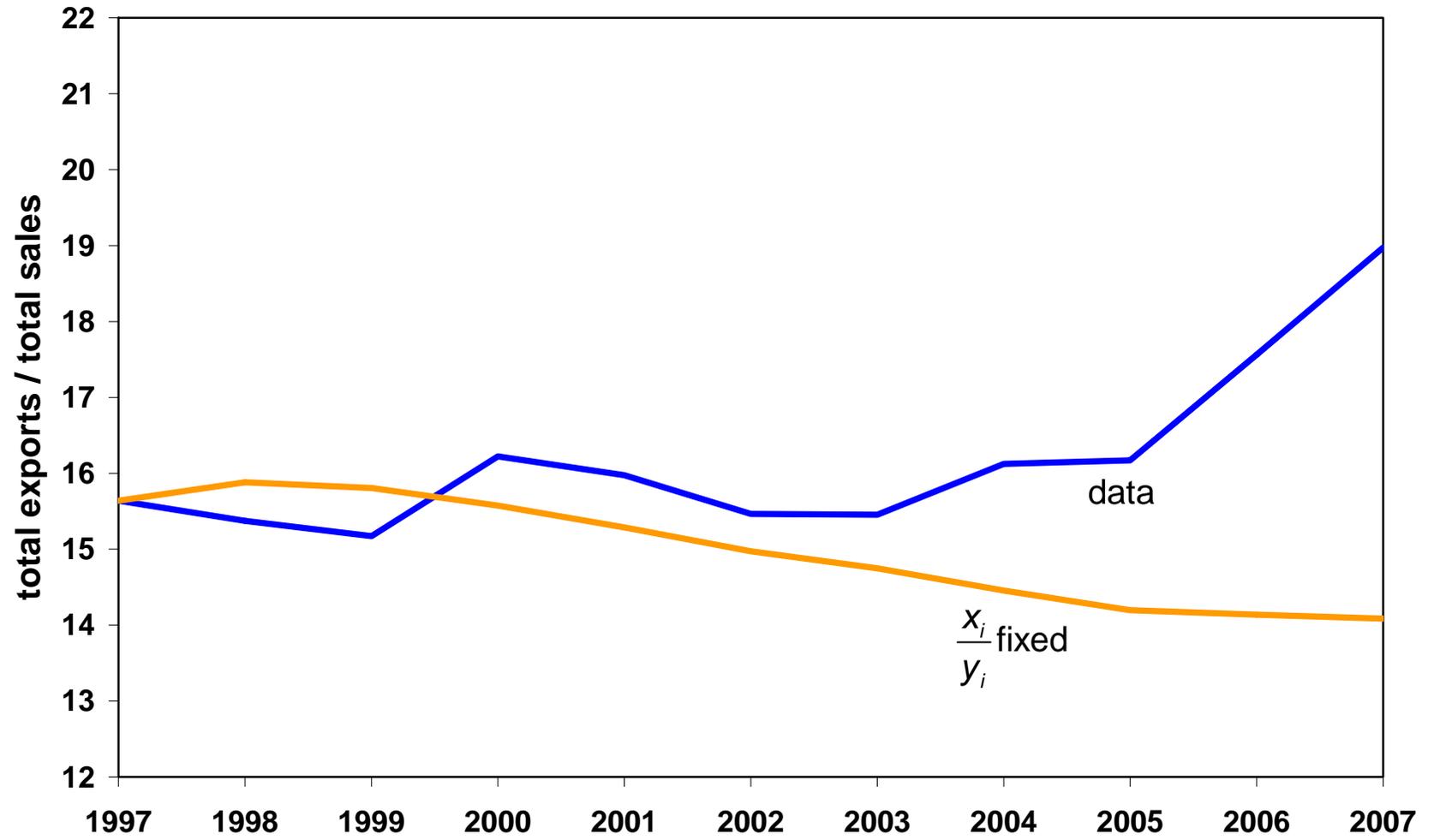
Export-Gross Output Ratio, 1997-2007



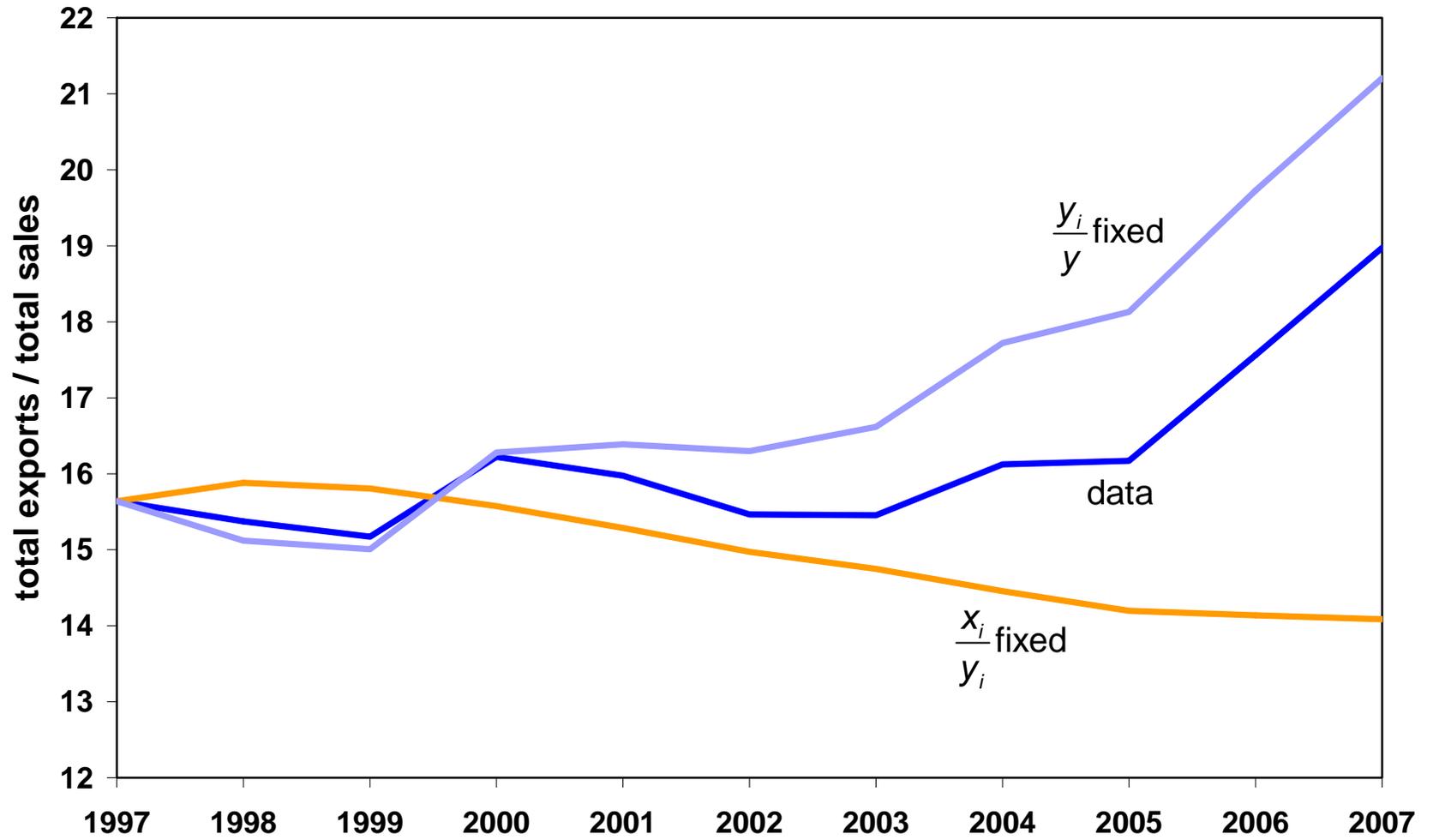
Compostition Effects?



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Compostition Effects?



More Questions!

- Heterogeneity at the industry level
 - Industry size
 - Industry export intensity
- How do we map underlying industry characteristics to firm and industry export outcomes? Aggregate outcomes?
- This paper is moving the literature in the right direction.