Paper Reading Notes

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Contents

1 Trade

1.1 Buera and Oberfield (2020)

- Innovation and diffusion involving the combination of new ideas with insights from other industries.
- both gains from trade and the fraction of variation of TFP growth accounted for by changes in trade more than double relative to a model without diffusion.

1.2 Chen et al. (2022)

- Asymetric transport costs from different shipping time back and forth predicts location patterns in models with models Dixit-Stiglitz preferences.
- Armington (1969) assumption: each country produces a different good and consumers would like to consume at least some of each country's goods. No mention of comparative advantage, but combined with CES characterizes trade flows between countries.
- Dixit-Stiglitz preference: CES function
- Dixit-Stiglitz price index: bilateral prices times bilateral iceberg shipping costs. The index can be interpreted as consumer or inward market access

1.3 Amiti et al. (2020)

- US-China tariff announcements lower investment growth rate of listed US companies by 1.9% by the end of 2020
- policy-induced stock-market declines imply lower returns to capital, which lowers investment rates
- use stock market data to exactly decompose aggregate returns into those caused by common and differential effects
- q theory of investment to understand how trade shocks affect investment in a model where capital adjustment is costly

1.4 Akcigit et al. (2018a)

1.5 Fernandes et al. (2023)

1.6 Martin et al. (2023)

1.7 Demidova and Rodríguez-Clare (2009)

- Welfare: productivity, terms of trade, variety, curvature (heteorogenity across varieties)
- consumption subsidy, export tax, import tariff allows small economy to deal with two distortions and reach first-best allocation
- export subsidy generates increase in productivity, but negative on other three, decrease welfare
- import tariff improves small economy's welfare

1.8 Demidova (2017)

- Monopolistic competition with heterogenous firms, endogenous wages, non-separable, non-homothetic quadratic preferences generating variable markups
- optimal level of the revenue generating import tariff is strictly positive
- reductions in cost-shifting trade barriers are welfare-improving
- in both cases, variable markups result in negative pro-competitive effects, reducing gains from trade

1.9 Costinot et al. (2020)

- Large firms tend to export
- country maximizing domestic welfare, self-selection of heterogenous firms into exports calls for import subsidies on the least profitable foreign firms
- there is no rationale for export subsidies or taxes on the least profitable domestic firms

1.10 Atkeson and Burstein (2008)

1.11 Allen (2014)

- A perfect competition trade model embedding a process whereby heterogeneous producers engage in a costly sequential search process to determine where to sell their product.
- introducing information frictions explains roughly half the observed regional price dispersion, and improves the out-of-sample predictive power of the model

1.12 Steinwender (2018)

- Transatlantic telegraph in 1866 lowers average and volatility of the transatlantic price difference of cotton, and increases those of trade flows.
- Efficiency gains 8% of export value
- A partial equilibrium model in which exporters and storage use the latest news about a foreign market to forecast expected prices.
- Newly collected data set on cotton prices, trade and information flows from historical newspapers.

1.13 Suesse (2018)

- Relationship between prospective secessions on economic integration and growth.
- A game theory model rationalizes that regional elites have an incentive to restrict domestic trade once secession from the Soviet Union became possible.

2 Industrial Policy

2.1 Juhász et al. (2023)

2.2 Mazzucato and Rodrik (2023)

- Table of Taxonomy of conditionalities in the case studies

- Type of firm behavior targeted: access, directionality, profit sharing, reinvestment
  - Fixed versus negotiable/ iterative conditions
  - Risks/ rewards sharing mechanism
  - Measurable performance criteria and monitoring and evaluation
- Embeddedness, autonomy and the development state matrix

2.3 Rodrik (2018)

2.4 Aiginger and Rodrik (2020)

- Chronique of industrial policy definition since 1981

2.5 McMillan et al. (2017)

- Two theories explaining growth: 1) **dual-economy.** draws distinction between agriculture as traditional and industry as modern sectors of economy. Different economic logics are at work within so cannot be lumped together. Accumulation innovation and productivity growth take place in the modern sector, the traditional sector remains technologically backward and stagnant. Labor and other resources migration rate to modern sector decides growth rate. Lewis 1954, Ranis and Fei 1961.
  2) **neoclassical growth model.** presumes different economic activity are structurally similar enough to aggregate into a representative sector. growth depends on the incentives to save, accumulate physical and human capital, and innovate by developing new products and processes. Solow 1956, Grossman and Helpman 1991, Aghion and Howitt 1992.
- two challenge: structural transformation and fundamentals. **Former**, ensure resources flow rapidly to high productivity. **Latter**, on broad and long-run growth two driving forces: quality of institutions(governance, law, biz environment) or the level of human capital(education, skills, training). Acemoglu Johnson Robinson 2001, Glaeser et al 2004.
- Results
  - Brazil and Botswana: structural change important in launching into middle-income but tiny role thereafter
  - Vietnam and Ghana: structural change significant contribution
  - India, Nigeria Zambia: structural change different way. less rapid decline in the employment share of low-productivity agriculture, exacerbated by the lack of labor-intensive manufacturing for export.
- Typology of growth patterns: structural transformation $\times$ Investment in fundamentals
- total labor productivity: $P_t = \sum\limits_{i=1}^{n} \theta_{i,t} P_{i,t}$.

  Change in total labor productivity $\Delta P_t = \sum\limits_{i=1}^{n} \theta_{i,t-k} \Delta P_{i,t} + \sum\limits_{i=1}^{n} \Delta P_{i,t-k} + \sum\limits_{i=1}^{n} \Delta \theta_{i,t} \Delta P_{i,t}$
- productivity change as sum of with-in sector change and structural change

$$\Delta P_t = \sum_{i=1}^{n} \theta_{i,t-k} \Delta P_{i,t} + \sum_{i=1}^{n} P_{i,t} \Delta \theta_{i,t}$$

3 Innovation

3.1 Aghion et al. (2001)

3.2 Prato (2022)

- Meeting rate

3.3 Bahar and Rapoport (2018)

- Proxy for knowledge diffusion: cross-country productivity spillovers leading to new exports
- 10% increase in immigration from exporters is associated with a 2% increase in the host country exporting in next decade likelihood, especially stronger for highly-skilled migrants.

3.4 Hornung (2014)

- Firm-level productivity data on Prussian manufactories in 1802 from the Register of factories in the prussian state by the Royal Prussian Privy Filing Department
- Huguenot immigration to Brandenburg-Prussia data. Rôle général des Français refugiez dans les États de la Majesté le Roy de Prusse
- population censuses for Prussian towns in 1730. Schmoller 1922
- higher share of high-skilled immigrants means higher level of local manufactory output and more technology employed

3.5 Bai et al. (2023)

3.6 Adão et al. (2020)

3.7 Liu and Ma (2021)

3.8 Kogan et al. (2017)

- Technological innovation accounts for significant medium-run fluctuations in aggregate economic growth adn TFP.
- patent-level estimates of private economic value are positively related to the scientific value of these patents
- Extended data: `https://github.com/KPSS2017/Technological-Innovation-Resource-Allocation-and-G`

3.9 Aghion et al. (2005)

- Competition discourages laggard firms from innovating and encourages neck-and-neck firms. This generates and inverted-U, together with competition on equilibrium industry structure
- average tech distance btw leaders and followers increases with competition
- the inverted-U is steeper when industries are more neck-and-neck

3.10 König et al. (2016)

- Firms endogenously choose between in-house R&D and imitation other firm's tech subject to limits of absorptive capacities to improve productivity based on profit maximization

motive

- closer to technological frontier face fewer imitation opportunities, more in-house
- BGE features persistent productivity differences even when starting from identical firms

4 Search and Unemployment

4.1 Mortensen and Pissarides (1994)

4.2 Shimer (2005)

4.3 Hornstein et al. (2011)

4.4 Lenoir et al. (2022)

- Search friction of new customers distort the allocation activities across heterogeneous producers in a Ricardian model of trade.
- Markets with high estimated frictions display less dispersion in sales btw high and low productivity firms
- Increase in the level of search frictions pushes out the least productive exporters while increases export sales at the top of the productivity distribution

5 Heterogenous Agents

5.1 Aiyagari (1994)

5.2 Krusell and Anthony A. Smith (1998)

6 Firm Dynamics

6.1 Hopenhayn (1992)

6.2 Kochen (2023)

6.3 Arellano et al. (2012)

6.4 Cooley and Quadrini (2001)

- Introducing financial-market frictions in a basic model of industry dynamics with persistent shocks
- the combination of persistent shocks and financial frictions can account for the simultaneous dependence of firm dynamics on size (once we control for age) and on age (once we control for size).

6.5 Jovanovic (1982)

- This is the seminal paper to incorporate uncertainty and learning into entrepreneurship and firm dynamics.

6.6 Klette and Kortum (2004)

6.7 Melitz (2003)

7 Uncertainty

7.1 Arellano et al. (2019)

8 Empirical

8.1 Zhang and Wang (2023)

- Employers in higher social trust societies are more attentive to applicants' potential, focusing more on their foundational skills than readiness like advanced skills
- bilateral trust measures
- 60 million job postings from 28 EU countries from 2018 to 2021 provided by Lightcast, formerly known as Burning Glass Technologies
- multinational corps from Orbis global database matching based on employer name, industry and location
- ESCO is a multilingual classification that identifies and categorize skills and occupations relevant to the EU labor market
- social trust measured by nationally representative surveys European Values Study (EVS)

8.2 de Souza et al. (2022)

- DiD + trade model with input-output connections where sanctioning countries maximize income and minimize Russia's income
- small willingness to pay: 20% uniform tariff against all Russian products
- embargo on mining and energy and 50% on others is most cost-efficient

8.3 Diao et al. (2021)

- The poor employment performance of large firms is related to use of capital-intensive techniques associated with global trends in technology.
- larger firms that exhibit superior productivity performance do not expand employment much
- small firms that absorb employment do not experience any productivity growth.
- Relatively large firms in the manufacturing sectors of Tanzania and Ethiopia are significantly more capital-intensive than what would be expected on the basis of the countries' income levels or relative factor endowments
- Reasons: 1, advanced economies develop labour saving technology; 2, globalization and the spread of global value chains has had a homogenizing effect on technology adoption, and the imperative of competing with production in richer countries at similar quality level makes it difficult to undertake large shifts in techniques
- New panels of manufacturing firms: Tanzania 2008∼ 16, Ethiopia 1996∼ 2017

8.4 Laplane and Mazzucato (2020)

- Policies that explicitly take into consideration the risk-taking entrepreneurial role of the state, can positively affect reward distributions and favor more equitable public| private partnerships.
- Sharing rewards enables a more portfolio mindset, where the upside is used to cover the downside, and more stable funding to serve citizens' needs. It also signals the value and legitimacy of the state's role.
- Table of existing policy instruments for financing innovation that allow for profit-Sharing
- Table of the legal underpinning of the distribution of rewards in public|private partnerships parasitic versus symbiotic ecosystems

8.5 Rodrik (2016)

- Developing countries only converge to rich country income levels conditional on country-specific disadvantages like institutions or poor geography being overcome.
- Matrix of structural change and investment in fundamentals
- much of recent performance in Africa due to advantageous external context and making up of lost ground
- structural change and industrialization operating at less than full power
- should there be a miracle, it should be agriculture or service led than traditional ones.

8.6 Aghion et al. (2018)

- inventor collect 8% of total private return
- entrepreneurs get over 44%
- blue-collar get 26%
- the rest goes to white-collar workers
- entrepreneurs have negative returns prior to patent application but subsequently become highly positive
- Finland data

8.7 Akcigit et al. (2018b)

- Higher taxes negatively impact the quantity and the location of innovation, but not average innovation quality.
- state-level elasticities to taxes are large and consistent with the aggregation of the individual level responses of innovation produced and cross-state mobility
- corporate taxes have special effect on corporate inventor's innovation production and mobility
- personal income tax affects quantity of innovation and mobility of inventors.
- panel of patent inventors since 1920
- historical state-level corporate tax database with corp tax rates and tax base information
- existing: state-level personal income taxes

8.8 Munch and Schaur (2018)

- Export promotion increases sales, value-added, employment, and value-added per worker.
- For small firms, summing expenditures on export promotion, subsidies, and tax distortions, the gain in value-added is roughly three times higher than the direct costs of export promotion.

9 Migration

9.1 Docquier et al. (2015)

- Complete liberalization of cross-border migration increase world GDP by 11.5-12.5% in benchmark model, and 7.0-17.9% in robustness analyses.

9.2 Parsons and Vézina (2018)

- The exodus of Vietnamese Boat People to US evidence that migrant networks promote trade by reducing trade costs because they have knowledge of their home country's language, regulations, market opportunities and informal institutions. Migrants mostly facilitate bilateral trade with developing countries.
- Doubling migrants leads to 45% to 138% increase in state exports.
- First evidence of positive link between migration and trade with a natural experiment.

9.3 BURCHARDI et al. (2019)

- Doubling the number of residents with ancestry from a given foreign country relative to the mean increases the probability that at least one local firm engages in FDI with that country by 4 percentage points.
- This effect is primarily driven by a reduction in information frictions, and not by better contract enforcement, taste similarities, or a convergence in factor endowments.

9.4 COHEN et al. (2017)

- Firms are significantly more likely to trade with countries that have a large resident population near their firm headquarters, and that these connected trades are their most valuable international trades
- Firms are also more likely to acquire target firms, and report increased segment sales, in connected countries

9.5 Burchardi and Hassan (2013)

- Personal relationships for non-economic reasons can be an important determinant of regional economic growth.
- HHs in West Germany with East ties experience rise in incomes and increases returns to entrepreneurial activity, share of HHs as entrepreneurs, and likelihood of West German firm investing East regionally.

10 Data

10.1 Macro

- Groningen Growth and Development Centre: indicators of growth and development `https://www.rug.nl/ggdc/`

10.2 Medical

- Medical Expenditure Panel Survey `https://meps.ahrq.gov/mepsweb/`
- FDA Orange book `https://www.fda.gov/drugs/drug-approvals-and-databases/approved-drug-product`

10.3 Trade

- GlobalTradeAlert `https://www.globaltradealert.org/`
- Cboe Trade Alerts `https://www.cboe.com/services/analytics/tradealert/institutions/`
- UN Comtrade: product level bilateral trade data `https://comtradeplus.un.org/TradeFlow`
- Global Antidumping database by Bown, Chad P. `https://www.chadpbown.com/global-antidumping-databas`
- OECD's Inter-Country Input-Output (ICIO) tables that maps flows of production, consumption, investment within countries and flows of international trade in goods and services btw countries, by economic activity and by country `https://www.oecd.org/sti/ind/inter-country-input-output-tables.htm`
- Feenstra et al. (2002) `https://papers.ssrn.com/sol3/papers.cfm?abstract_id=362069`
- Copenhagen Polis Centre of ancient greek cities and people `https://polis.stanford.edu/`

10.4 Legal

- LobbyView `https://www.lobbyview.org/`
- QuantGov `https://www.quantgov.org/`

10.5 Innovation

- Orgiin IP Solutions `https://origiin.com/`
- PATENTS-ICRIOS DATABASE `https://icrios.unibocconi.eu/resources/databases/patents-icrios-database`
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10.6 Firm

- FactSet Supply Chain Relationships `https://wrds-www.wharton.upenn.edu/pages/about/data-vendors/factset/`
- Cortellis `https://access.clarivate.com/login?app=cortellis`
- Westlaw Edge `https://legal.thomsonreuters.com/en/products/westlaw-edge`
- MIDAS `https://www.iqvia.com/solutions/commercialization/brand-strategy-and-management/market-measurement/midas`

- Namsor `https://namsor.app/`
- GGDC 10 Sector database
- expanded africa sector database
- UNIDO's Indstat2

10.7 Transport

- TUD19: multi-city traffic dataset `https://utd19.ethz.ch/;` `https://github.com/ambuehll/UTD19`
- Ship tracking data Kpler `https://www.kpler.com/product/maritime/ship-tracking`

10.8 Migration

- Gallup Global Research`https://www.gallup.com/analytics/318875/global-research.aspx`
- Gallup Country Data Set `https://www.gallup.com/services/177797/country-data-set-details.aspx`
- Bilateral migration data `https://elibrary.worldbank.org/doi/epdf/10.1596/1813-9450-6863`

10.9 Others

- GeoDist on bilateral relationships such as common coloniser, colony-coloniser, common language, religion. `http://www.cepii.fr/CEPII/en/bdd_modele/bdd_modele_item.asp?id=6`

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