

Does Air Pollution Lower Productivity? Evidence from Manufacturing in India

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October 2018

The views expressed are those of the author and do not necessarily reflect those of the Federal Trade Commission.

Main Takeaway

- ▶ Previous studies find large air pollution impacts in specific industries, in specific areas, even in specific firms
- ▶ But air pollution spreads far and wide, so environmental policy needs to be broad (city-level, province-level, country-level)
- ▶ This research fills this gap: studies all industries over a long-time range
- ▶ Conclusion: reducing pollution to international standards has little overall benefit to producer surplus
 - ▶ 0.26% compared to 5.6% for fixing electric shortages

Questions and New Directions

- ▶ **Other impacts:** Do firms enter/exit/move in response to air pollution? Which types?
 - ▶ Does pollution impact the variance of productivity shocks and capital investment decisions of firms?
 - ▶ Is there evidence of adaptation over time?
 - ▶ Is there data on labor migration reallocation across space?
- ▶ **Policy:** Can your research recommend more targeted policies?
 - ▶ Are sensitive industries geographically concentrated?
 - ▶ How far does air pollution travel?