Discussion of: What are the Price Effects of Trade? Evidence from the US and Implications for Quantitative Trade Models *by* Xavier Jaravel and Erick Sager

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Dartmouth Tuck & NBER

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Main contributions

- LOTS of evidence on negative effects of Chinese imports

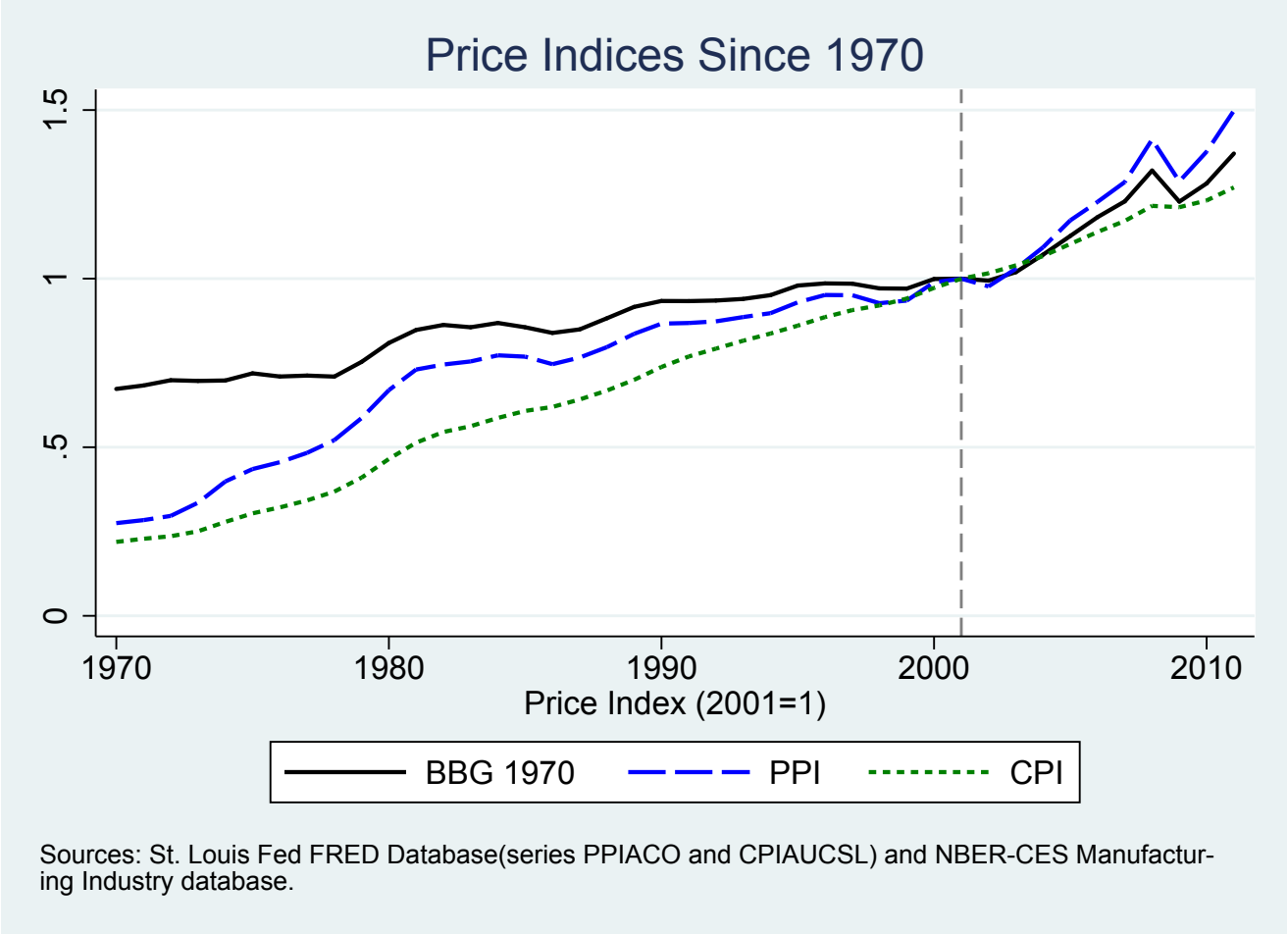
  Autor, Dorn, Hanson (2013); Autor et al. (2014), Pierce and Schott (2016); Autor et al. (2016); Autor et al. (2017); Pierce and Schott (2017); Che et al. (2017); Autor, Dorn, and Hanson (2018)

- A little bit of structural work on the positive effects

  Antràs, Fort, Tintelnot (2017); Caliendo, Dvorkin, and Parro (2018); Galle, Rodriguez-Clare, and Yi (2017)

- **This paper provides new, reduced-form evidence that Chinese imports reduced US prices**
  - Two identification approaches to estimate elasticity (ADH and PS)
  - (Elasticity is *very* high)
  - Exploration of the mechanisms

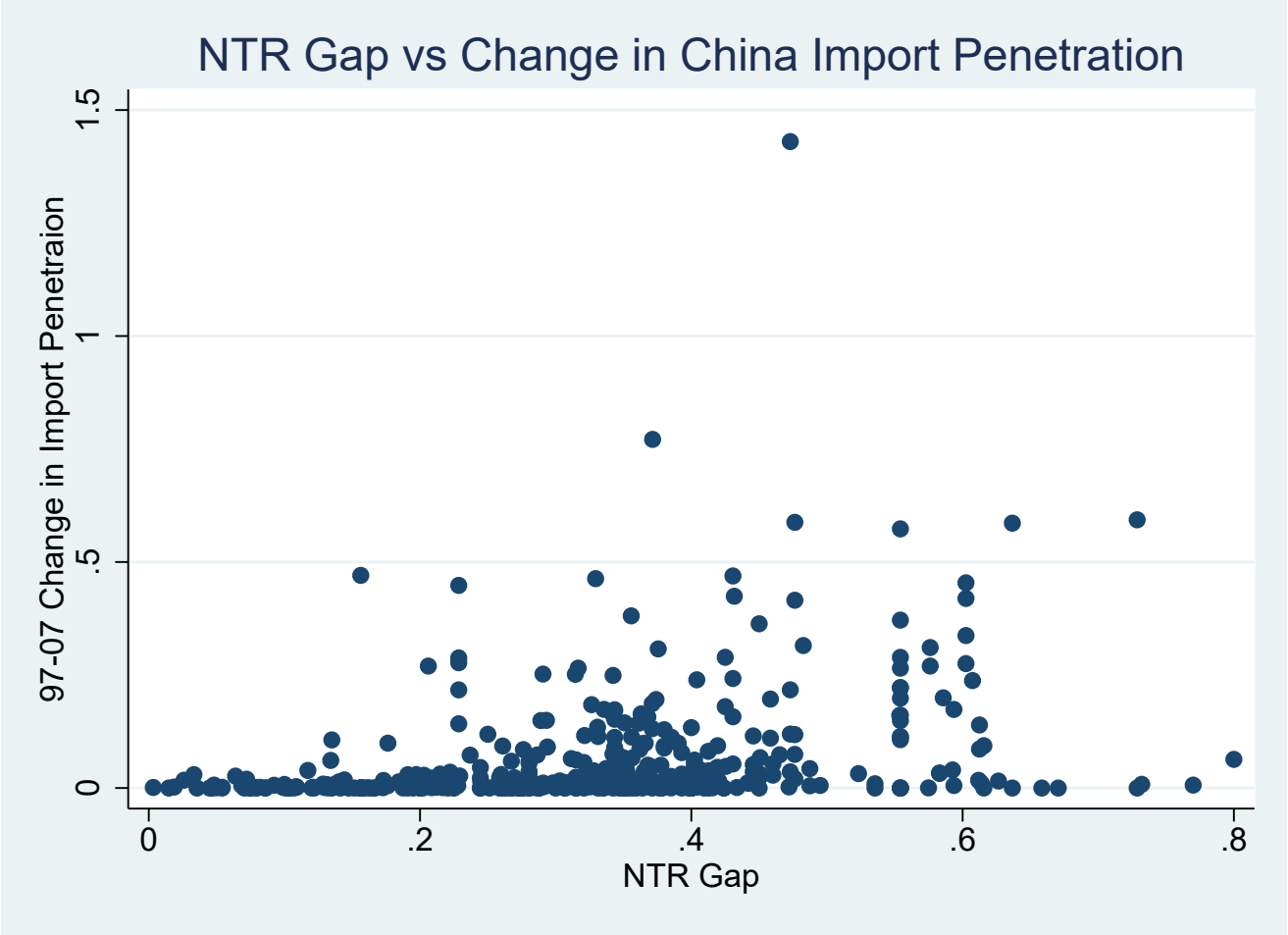
US prices generally rise over time



Sources: St. Louis Fed FRED Database(series PPIACO and CPIAUCSL) and NBER-CES Manufacturing Industry database.

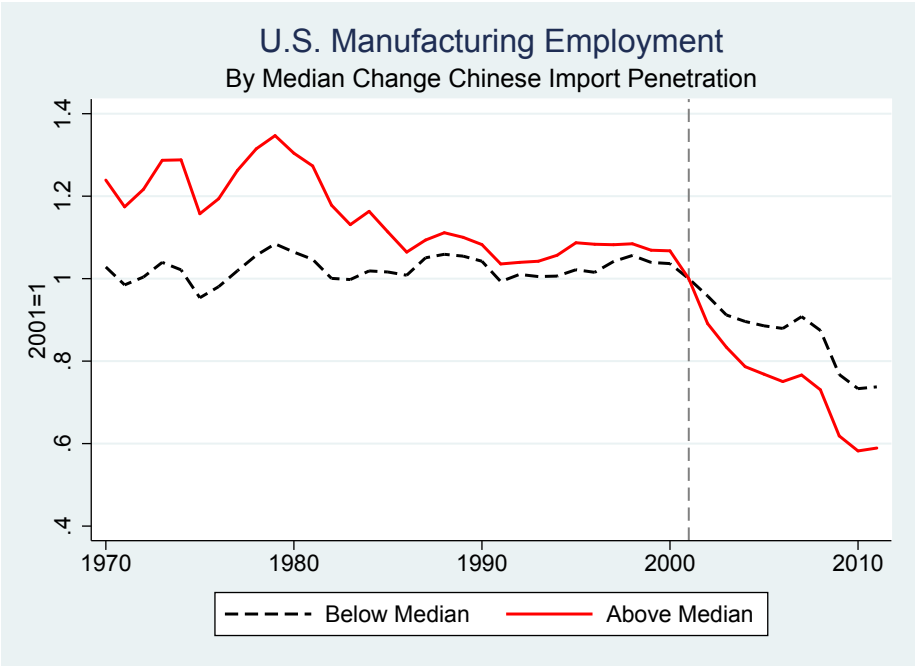
- PPI shows increase post 2001
- Authors identify industries with relative declines

C1: What is a trade shock?

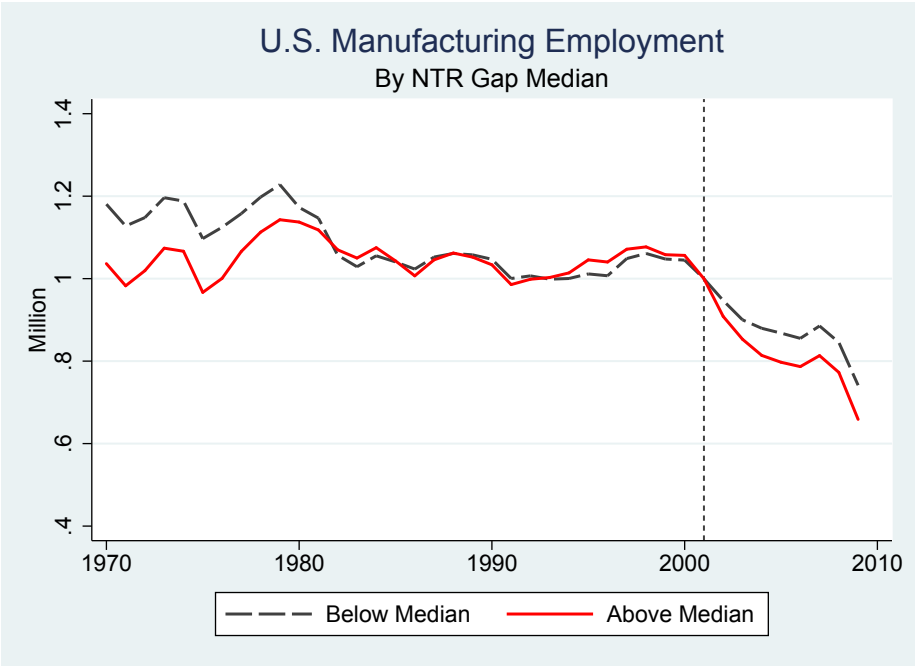


- Chinese import penetration differs from NTR gap
- Fewer industries with import penetration changes

Employment trends differ for import pen vs. NTR gap



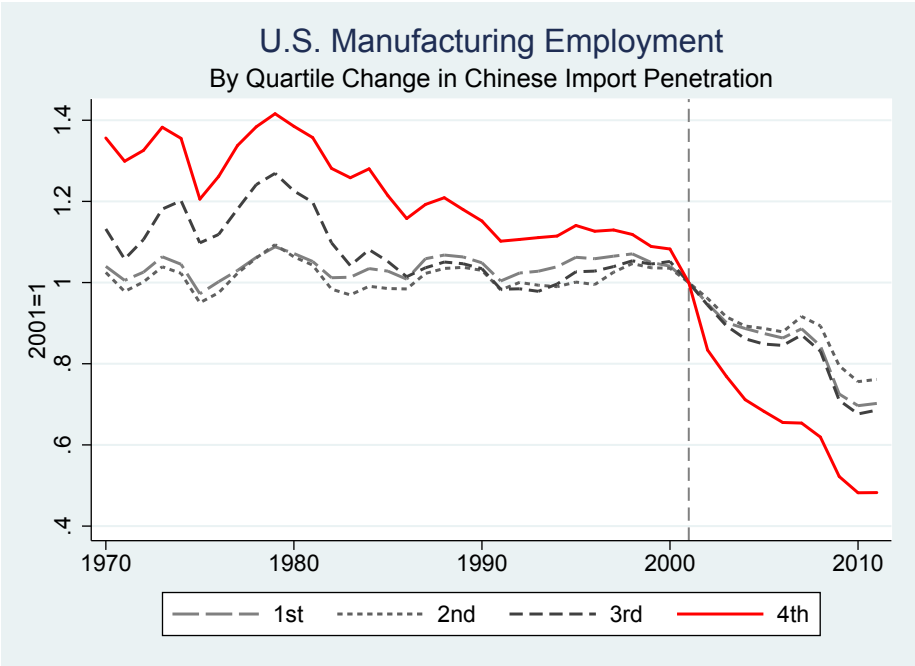
Import Penetration



NTR Gap

- Industries with high import pen growth different trends in 1980s
- NTR gap not subject to same issues

Employment trends differ by quartile of China exposure



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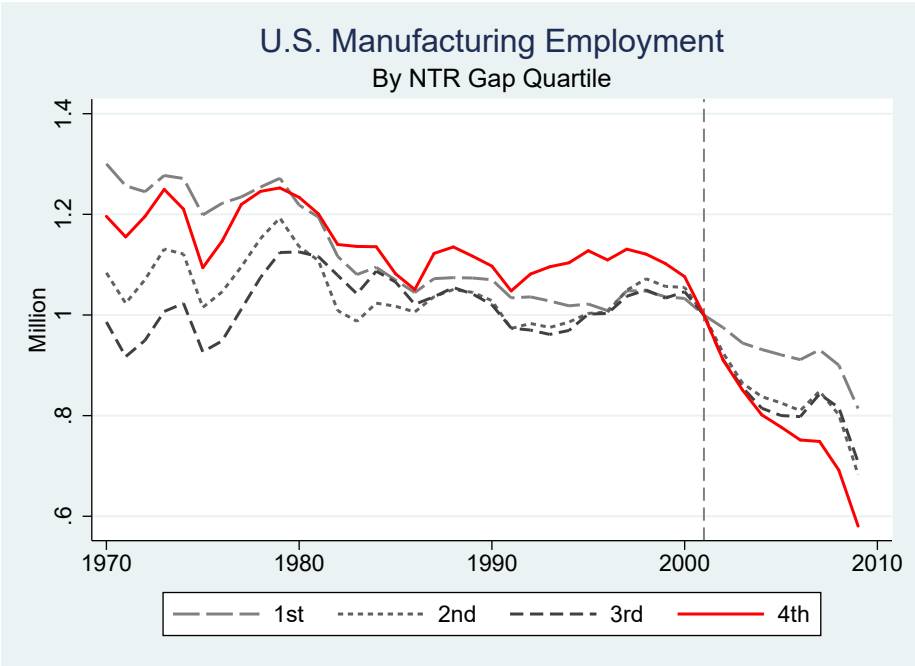
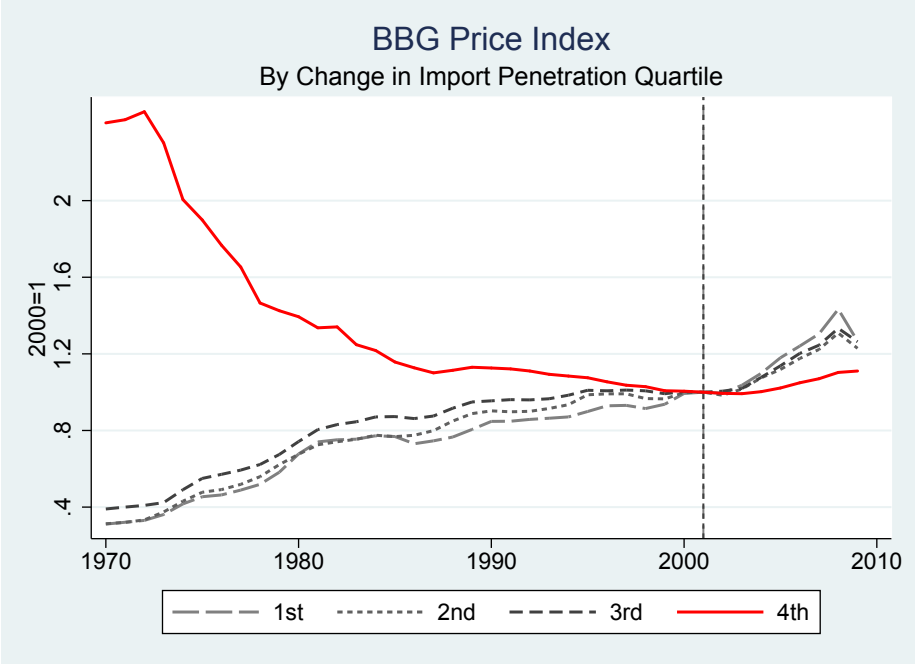


NTR Gap

- 4th quartile of import pen shows declining emp in 1980s
- 1st quartile of NTR gap shows highest past decline

Differential price trends by quartile of China exposure



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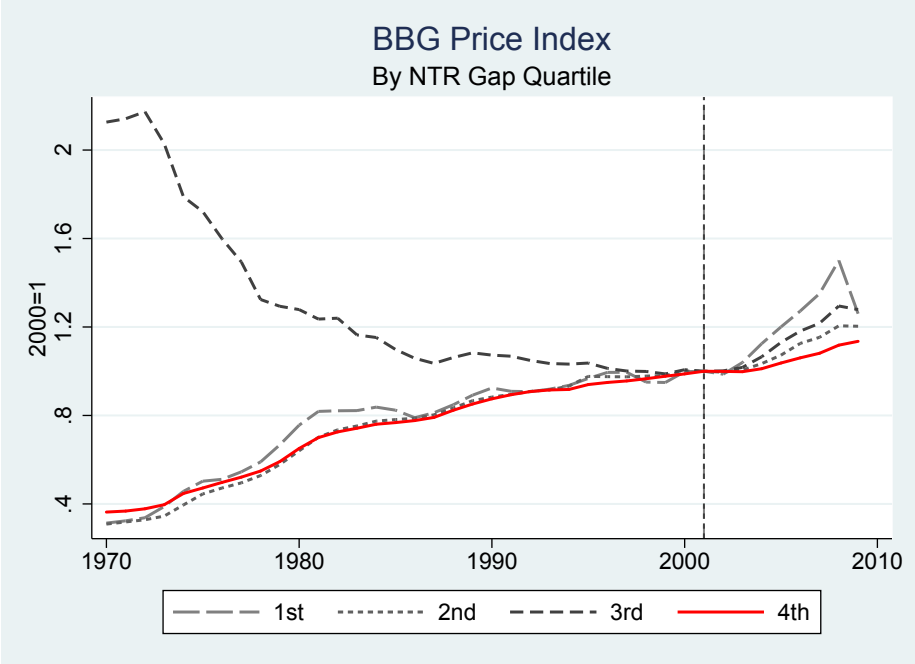
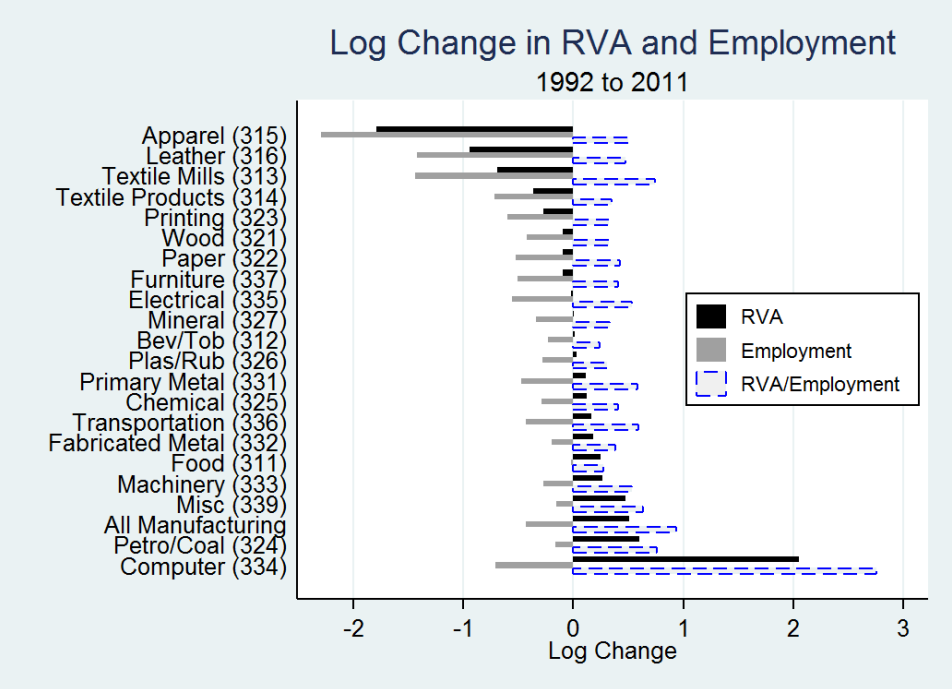
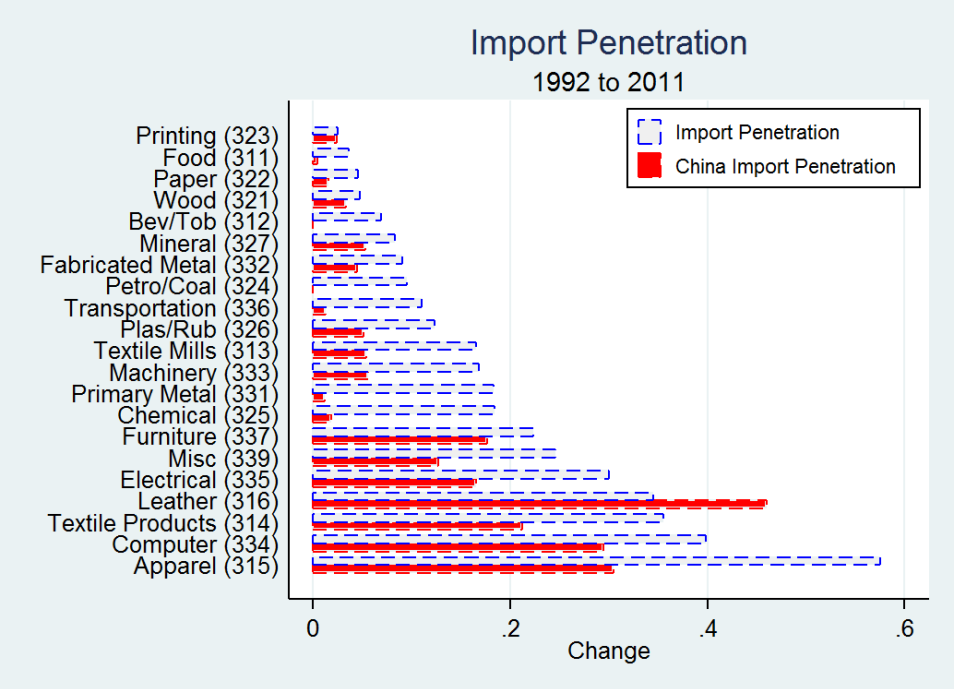


NTR Gap

- Clear pre-trend concern for import penetration
- NTR gap problematic for 3rd quartile

C2: Computer & Electronics sector is a special animal

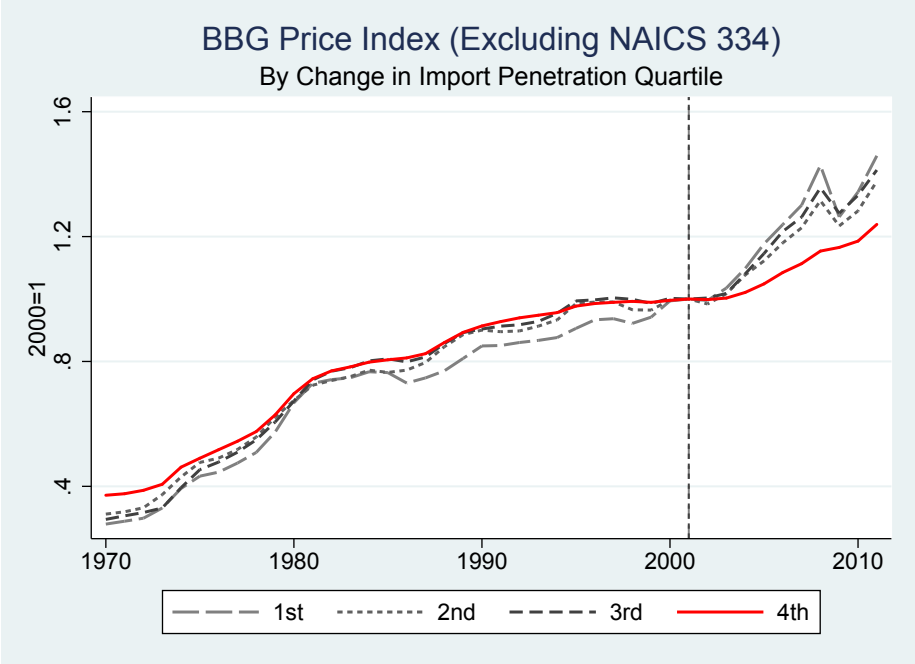




Source: Fort, Pierce, and Schott (2018)

- Computers has second highest import penetration growth
- But, also main contributor to RVA growth
- Sector is different in terms of
  - Significant role of global value chains
  - Technology improvements that lead to lower prices

Pre-trends similar if Computers & Electronics are dropped



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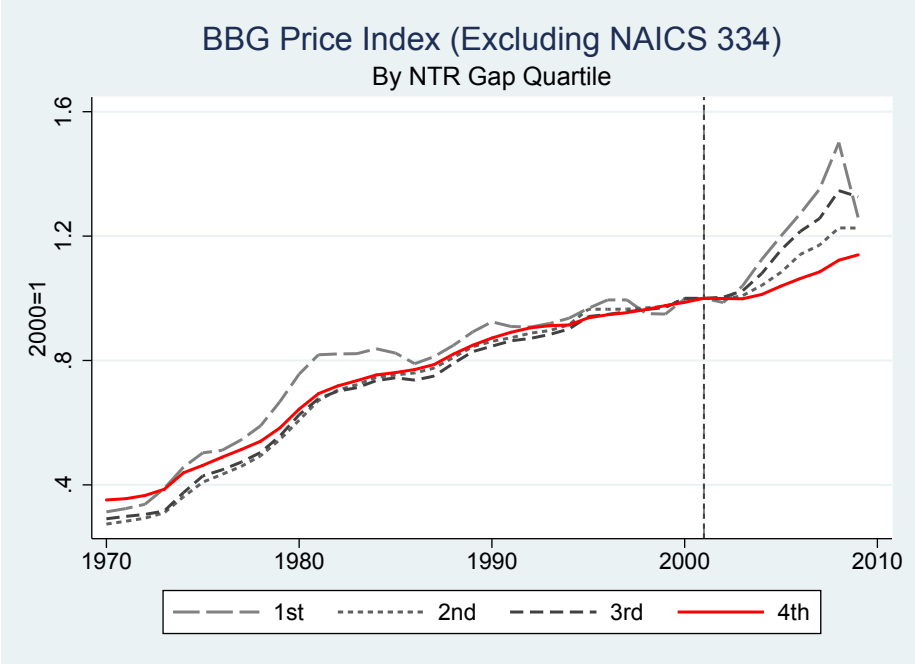

NTR Gap

- For import pen, difference due to 4th quartile
- NTR gap suggests more continuous treatment

C3: Heroic jump from reduced-form to level effects

- A fall in the price index *is* a GE effect
- What does it means to "abstract from GE effects" in this context?
- If you feel you must quantify things, try Atkin, Faber, and Gonzalez-Navarro (2018)
- But, I think more fruitful to dig into mechanisms

C4: More evidence on the mechanisms

- CPI and PPI both fall
  - Even CPI seems to fall for domestically-produced goods
  - Strong effect for continuing products
- Effect seems to be weaker in concentrated industries
  - Surprising if you thought markups would get squeezed
  - Are these more differentiated industries?

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TABLE 9—PLANT INPUT-OUTPUT LINKAGES (*LBD*)

	$\ln(Emp_{it})$	$\ln(Emp_{it})$	$1\{Death_{pt+1}\}$	$1\{Death_{pt+1}\}$
Post × NTR Gap_p	−0.380	−0.208	0.064	0.042
	(0.089)	(0.090)	(0.020)	(0.019)
Post × NTR $Gap_p^{Upstream}$		−0.280		−0.022
		(0.427)		(0.082)
Post × NTR $Gap_p^{Downstream}$		−0.691		0.103
		(0.159)		(0.041)

Source: Pierce and Schott (2016)

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- How does this tie in with the rise of markups and superstars?

C5: Measurement questions

- Tradable measure is problematic, since implies the following non-tradable:
  - All other cut and sew apparel manufacturing
  - Light truck and utility vehicle manufacturing
  - Computer terminal manufacturing
  - No trade DNE not-tradable
- How do you map the ELI categories to industries?
- How do you separate upstream and downstream?