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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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

• 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

- 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

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

**Import Penetration**

- 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 mean 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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- Why do US prices fall in more competitive industries?
  - Heterogeneity and Melitz selection?
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![Table 9—Plant Input-Output Linkages (LBD)]

<table>
<thead>
<tr>
<th></th>
<th>In(Emp_{it})</th>
<th>ln(Emp_{it})</th>
<th>I{Death_{pt+1}}</th>
<th>I{Death_{pt+1}}</th>
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<tbody>
<tr>
<td>Post × NTR Gap_{p}</td>
<td>−0.380</td>
<td>−0.208</td>
<td>0.064</td>
<td>0.042</td>
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<tr>
<td></td>
<td>(0.089)</td>
<td>(0.090)</td>
<td>(0.020)</td>
<td>(0.019)</td>
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<tr>
<td>Post × NTR Gap_{p}^{up}</td>
<td>−0.280</td>
<td>−0.427</td>
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<td>−0.022</td>
</tr>
<tr>
<td></td>
<td>(0.27)</td>
<td>(0.082)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post × NTR Gap_{p}^{down}</td>
<td>−0.691</td>
<td>0.159</td>
<td>0.103</td>
<td>0.041</td>
</tr>
</tbody>
</table>

Source: Pierce and Schott (2016)

- 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?