You are cordially invited to the following seminar
Thursday, 22 April from 12:15 – 13:15hrs, ONLINE via ZOOM

Trade, Productivity, and (Mis)allocation

We examine the gains from globalization in the presence of firm heterogeneity and potential resource misallocation. We show theoretically that without distortions, bilateral and export liberalizations increase aggregate welfare and productivity, while import liberalization has ambiguous effects. Resource misallocation can either amplify, dampen or reverse the gains from trade. Using model-consistent measures and unique new data on 14 European countries and 20 industries in 1998-2011, we empirically establish that exogenous shocks to export demand and import competition both generate large aggregate productivity gains. Guided by theory, we provide evidence consistent with these effects operating through reallocations across firms in the presence of distortions: (i) Both export and import expansion increase average firm productivity, but the former also shifts activity towards more productive firms, while the latter acts in reverse. (ii) Both export and import exposure raise the productivity threshold for survival, but this cut-off is not a sufficient statistic for aggregate productivity. (iii) Efficient institutions, factor and product markets amplify the gains from import competition but dampen those from export access.

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Kalina Manova is Professor of Economics and Deputy Department Head at University College London (UCL), specializing in international trade and investment. She received her AB, AM and PhD from Harvard, and was previously Assistant Professor at Stanford, Visiting Assistant Professor at Princeton, and Professor at Oxford. She serves on the Council of the European Economic Association and on the editorial boards of Review of Economic Studies and previously Journal of International Economics. She is Research Fellow at the Centre for Economic Policy Research, Associate at the LSE Centre for Economic Performance, Research Affiliate at the International Growth Centre, Affiliate at CESifo Institute, and External Consultant at Bank of England.