

Winners and Losers of Globalization: Sixteen Challenges for Measurement and Theory

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Introduction

Outline

1. European policy challenges
2. Lessons from trade research
3. Recent advances in measurement
4. Challenges for measurement and theory
5. The research–policy gap

European policy challenges

European policy challenges

Priorities in the new trade strategy of the Commission,
“Trade for All”:

1. Effectiveness

- ▶ merkantilist policy not suited for global value chains
- ▶ trade in services
- ▶ regulatory cooperation

2. Transparency

3. Values, not only interests

Lessons from trade research

Lessons from trade research

1. Countries gain from trade
2. Someone always loses from globalization
3. Cross-border frictions are large
4. Traders are few and special
5. Imports are important

Countries gain from trade

- ▶ Free trade is better than autarky in almost all models.
- ▶ Gains from trade can be easily quantified.
 - ▶ Model-based estimates: small
 - ▶ Natural experiments: large

Implication:

Sustain low policy barriers.

Someone always loses from globalization

- ▶ Unifying property of many models: Heckscher-Ohlin, Ricardo-Viner, Melitz.
- ▶ Indeed, gains are brought about by reallocation: if we want winners, there will be losers.
- ▶ Until recently, less attention than gains from trade.

Needed:

Identify losers. Quantify their losses. Account for frictions in reallocations.

Cross-border frictions are large

- ▶ Estimated costs of cross-border trading are in the order of 70 percent.
- ▶ Transportation and explicit policy barriers account for only 30 percent.
- ▶ Typical modeling approach: ad-valorem cost or quota.
Recently,
 - ▶ fixed entry costs
 - ▶ time costs
 - ▶ per unit costs
 - ▶ per shipment costs

Needed:

Understand non-tax, non-quota barriers. Quantify them.

Traders are few and special

- ▶ Firms trade, not countries and sectors.
- ▶ Within narrow industries, only a fraction of firms engage in trade.
- ▶ These tend to be bigger and better.
 - ▶ self-selection into trading
 - ▶ trading improves performance

Implication:

Facilitate within-industry reallocations. Help firm-level internationalization.

Imports are important

- ▶ Importing firms are as special as exporting firms (bigger, better than nontraders).
- ▶ Imported inputs can improve firm productivity.
 - ▶ better quality
 - ▶ lower price
 - ▶ imperfect substitution

Implication:

Mercantilist policy may hurt productivity growth. Outsourcing can also create local jobs.

Recent advances in measurement

Recent advances in measurement

1. Firm-level measurement of trade flows and competitiveness
2. Multidimensional trade data
3. Using linked employer-employee data
4. Matched buyer-seller data
5. Measuring trade and competitiveness in value added terms

Single Administrative Document

EUROPEAN COMMUNITY			1 DECLARATION			A OFFICE OF DISPATCH/EXPORT			
Copy for the country of dispatch/export	1	7 Consignor/Exporter		No		3 Forms		4 Loading lists	
		8 Consignee		No		5 Items		6 Total packages	
	14 Declarant/Representative		No		9 Person responsible for financial settlement			7 Reference number	
	15 Country of dispatch/export		10 Country first		11 Trading		13 C.A.P.		
	16 Country of origin		17 Country of destination		15 C. disp./exp. Code		17 Country destn. Code		
	18 Identity and nationality of means of transport at departure		19 Cr.		20 Delivery terms				
	21 Identity and nationality of active means of transport crossing the border		22 Currency and total amount invoiced		23 Exchange rate		24 Nature of transaction		
	25 Mode of transport		26 Inland mode		27 Place of loading		28 Financial and banking data		
	29 Office of exit		30 Location of goods					
	Copy for the country of destination	31 Packages and description of goods		32 Item		33 Commodity Code		34 Country origin Code	
35 Gross mass (kg)		37 PROCEDURE		38 Net mass (kg)		39 Quota			
40 Summary declaration/Previous document		41 Supplementary units							

Firm-level measurement of trade flows and competitiveness

- ▶ Firm-level trade data has been analyzed in many countries.
 - ▶ productivity differs widely across firms
 - ▶ exporters are few and bigger, more productive
 - ▶ most exports are done by a few large firms
 - ▶ within-industry dispersion matters for aggregates (export volumes, productivity improvements)
- ▶ Recently, harmonized analysis and reporting of such data: e.g. EFIGE, CompNet.

Multidimensional trade data

- ▶ Trade data is typical transactional data with many dimensions.
 - ▶ buyer
 - ▶ seller
 - ▶ time
 - ▶ product
 - ▶ mode of transport...
- ▶ It is possible to analyze the many margins of trade.
- ▶ Most trade is done by multi-product, multi-country exporters.

Needed:

Statistical methods to work with multidimensional data.
Computational tools.

Using linked employer-employee data

- ▶ Linked administrative data (Denmark, France, Germany, Hungary, Norway, Portugal, Sweden) can help zoom in within the firm.
 - ▶ Exporters and importers pay higher wages and employ more skilled workers
- ▶ Useful to study micro mechanisms.
 - ▶ trade and technology upgrading
 - ▶ outsourcing

Needed:

Ensure privacy and consistency across studies.

Matched buyer-seller data

- ▶ Most firms do not buy and sell in anonymous markets.
- ▶ Understanding the buyer-seller networks (“supply chain”) can help
 - ▶ explain variation in firm performance
 - ▶ understand the macro propagation of micro shocks
- ▶ Recent datasets on intra- and international buyer-supplier networks (Belgium, Costa Rica, Ecuador, France, Japan, Norway, USA) are a helpful first step.
- ▶ Emerging pattern: very sparse network with handful of buyers and suppliers.

Needed:

Harmonized data on buyer-supplier links within EU.

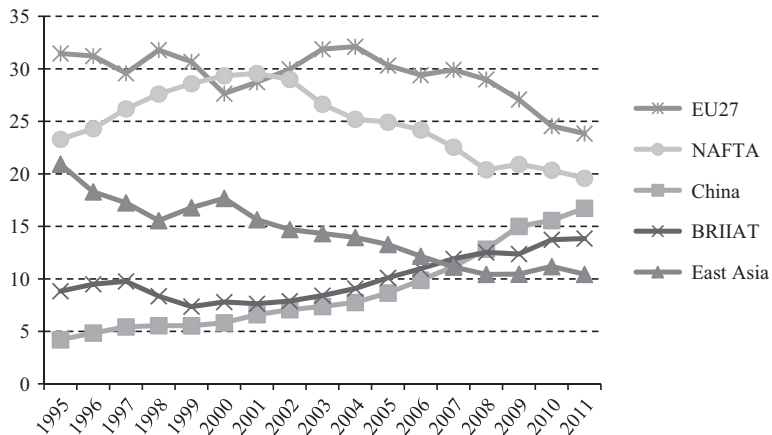
Measuring trade and competitiveness in value added terms

- ▶ How many jobs do exports create? How does trade propagate income shocks across countries?
- ▶ Trade is measured in gross output terms. Difficult to measure value added trade.

Needed:

International input-output accounts (e.g. WIOD).

Share in value added trade in manufactures



Challenges for measurement and theory

Challenges for measurement

1. Harmonize firm-level trade and balance sheet data across countries.
2. Develop statistical methods and computational tools to work with multidimensional data.
3. Develop new datasets on workers within firms, while ensuring privacy and consistency across studies.
4. Build harmonized firm-level data on services trade.
5. Collect data on buyer-supplier links within the EU.
6. Link national administrative data, harmonize data collection and reporting.
7. Synthesize research based on ad-hoc proprietary data.
8. Construct international input-output accounts from the ground up.

Challenges for theory

9. Reconcile model-based and reduced-form estimates of gains from trade.
10. Identify losers from globalization and quantify their losses.
11. Understand and quantify non-tax, non-quota frictions in trade.
12. Develop a toolbox for quantitative analysis of redistribution.
13. Understand and quantify the external effects of globalization.
14. Develop theories to better understand the deep causes of cross-border frictions.
15. Build a quantitative theory of supply-chain trade.
16. Build a quantitative theory of multinationals.

The research–policy gap

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3. Remaining policy barriers to cross-border transactions are difficult to quantify.
4. Deficiencies in data collection and harmonization.
5. Internal EU trade is not considered trade.