



You are cordially invited to

UCLouvain Economics Seminar

On **Thursday** September 29, 2016 from **12:45 to 14:00** at **Doyen
22, Place des Doyens, 1**

Valérie Smeets
(Aarhus University)

Will give a presentation on

Multi-product firms, import competition and the evolution of firm-product technical efficiencies

Abstract: We study how increased import competition induced by falling Chinese import tariffs affects the evolution of firm-product technical efficiencies in the small open economy of Belgium. We observe quarterly firm-product data at the 8-digit level on quantities sold and firm-level labor, capital, and intermediate inputs from 1995Q1- 2007Q4, a period marked by stark declines in Chinese tariffs. Using Diewert (1973) and Lau (1976) we show how to estimate firm-product quarterly technical efficiency shocks allowing for interactions among the production processes for multi-product firms and without allocating firm-level inputs across the different products produced. We find import competition is strongly positively related to firm-product level productivity, with a increase of 0.05 in the import penetration rate leading to a 5% gain in technical efficiency. Firms appear to be less technically efficient at producing goods the further they get from their core-revenue product. Import competition is most highly correlated with the core-revenue products' technical efficiency and less so for non core-revenue product efficiencies. Instrumenting import share - while not important for the signs of the coefficients - is very important for the magnitudes as the effect of competition increases tenfold when one moves from OLS to IV. Up to the OLS/IV distinction our results are robust to the choice of addressing simultaneity or not (OLS, Wooldridge-OP/W-LP), hold for both single-or multi-product firms, and are not "affected" by the firm's own international trade decision.

Information:

paul.belleflamme@uclouvain.be and william.pariante@uclouvain.be