

Discussion of “Trade and Growth Over the Life Cycle” by
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Disclaimer: the views expressed in this presentation are my own and do not reflect those of the Bank of Canada

Summary

Question: How does **firm age** affect responses to trade liberalization?

- Existing literature has documented rich heterogeneity in firms' responses to trade shocks (e.g. productivity, size, market share, product differentiation, quality, import intensity)
 - Life cycle characteristics are less studied
- ⇒ This paper: differential responses to India's trade liberalization in 1990s by firm age

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Key findings: Younger firms respond **more strongly** to input tariff reductions

- Effect driven by quantities, not prices
- No differential age effect for output tariffs

Robustness: Age effect not explained by other observables; selection is not driving results

Comment 1: Clarify the underlying economic channel

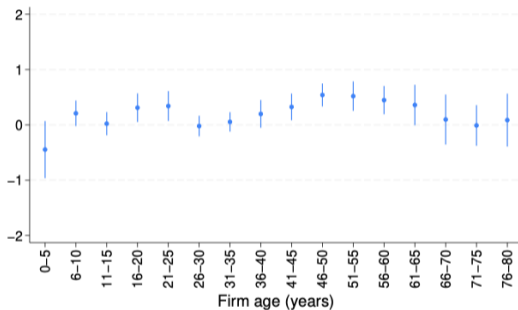
Most interesting finding: significant quantity effects but not price effects

	prices		quantities	
	(1)	(2)	(3)	(4)
...				
τ^{in}	0.421 (0.470)	0.654 (0.681)	-0.955** (0.418)	-2.078*** (0.567)
$\tau^{in} \times \text{age}$		-0.0119 (0.0145)		0.0559*** (0.0157)
N	24168	24168	24168	24168
R^2	0.113	0.114	0.039	0.042

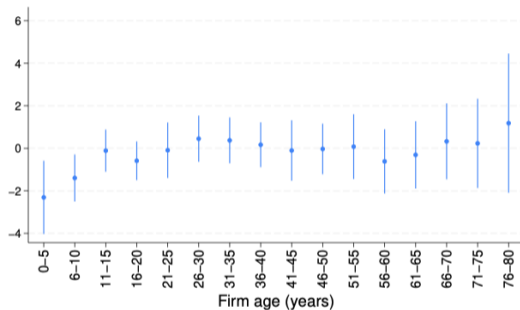
- Typical thought: Input cost reduction \rightarrow lower prices \rightarrow sell more
- Question: what variable affects quantities without changing prices and comoves with age?
- Suggestion: Dig deeper by regressing other observables on tariff-age interactions (i.e. use your *mechvar* variables in table 3 as outcome variables)

Comment 2: More focused results presentation

Figure 2: Differential effect of output tariffs and input tariffs on log sales by firm age



(a) Effect of output tariffs (β_2^b)



(b) Effect of input tariffs (β_4^b)

- Decide whether you want to defend a story about nonlinearities
- If not, just use three bins: 0-5, 5-10, and 11+

Comment 3: Simple model and quantification

(a) What needs to change in standard models to match your facts?

- e.g. productivity, quality or share of imported inputs varying by age (beyond size)?
- Or more micro-founded: experience (age) as intangible capital inputs

⇒ May be hard to match non-responsive prices → needs to be creative

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- Counterfactual sales (and potentially welfare) changes without this new channel
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Very interesting paper! I really enjoyed reading it!