SNF Sinergia - CEPR Conference 2018

Poster Session Thursday, June 7, 2018, 14:30 – 16:00

Sophia Ding	A Panel Data Approach for Spatial and Network Selection Models (with Peter H. Egger)
Katharina Erhardt	Empirical Productivity Distributions and International Trade (with Sergey Nigai and Peter Egger)
Sandro Favre	One Labor Market, Two Currencies: Evidence from the French-Swiss Border Region (with Francis Kramarz and Josef Zweimüller)
Adrian Jäggi	Inequality and Growth through Creative Destruction (with Ulrich Schetter and Maik T. Schneider)
Christian Kiedaisch	The saturation of spending diversity and the truth about Mr Brown and Mrs Jones (with Andreas Chai and Nicholas Rohde)
Stephan Legge	Does a Free Trade Agreement Lead to More Trade? (with Patrick Ziltener)
Lei Li	Skill-biased Imports, Human Capital Accumulation and the Allocation of Talents
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Abstracts for Poster Presentations

A Panel Data Approach for Spatial and Network Selection Models

Sophia Ding (with Peter H. Egger)

Many data in the social sciences at large and in economics in particular feature some form of spatial or network interdependence. For instance, firms that share the same geography or the same input-output network relations have been shown to adopt certain strategies (market entry, exporting, foreign plant set-up, etc.) in a way that suggests spatial or network inter-dependence. Often data on these firms are incomplete (in the sample- or treatment-selection sense). However, there are no models to date that would allow researchers to account both for selection on unobservables as well as spatial or network patterns with panel-data. The present paper contributes to the literature by proposing a two-step approach towards selection on unob-servables in the spirit of Heckman (1976, 1979) and Wooldridge (1995) but for panel-data with spatial or network interdependencies in both the selection and the outcome equation. Apart from outlining the econometric model and the associated estimation procedure for parameter point estimates as well as their variance-covariance matrix, the paper illustrates the suitability of the proposed approach in finite samples by way of Monte Carlo simulations. Moreover, we intend to apply the model to illustrate the relevance of self-selection of firms into exporting when analyzing the size of the exporter-wage premium in the city of Shenzhen, P.R. China.

Empirical Productivity Distributions and International Trade

Katharina Erhardt (with Sergey Nigai and Peter Egger)

In models of international trade featuring heterogeneous firms, identifying the shape and location of the firms' productivity distribution is necessary for modelling firm selection into production and exporting. We argue that the existing parametric approaches to modelling efficiency distributions across different countries and sectors produce large deviations from the firm-level data, which, in turn, translates into incorrect estimates of the measures of active firms, trade and welfare. For that, we use micro-level data for several countries and sectors, estimate firm-level productivity distributions in a non-parametric way and feed them into general equilibrium models of trade. We calibrate the model to the aggregate data on production, prices and trade flows and find that a counterfactual trade liberalization under empirical productivity distributions entails large deviations from models relying on parametric assumptions such as, e.g., Pareto. We argue that these differences constitute a new and large empirical margin of the gains from trade that has been previously ignored.

One Labor Market, Two Currencies: Evidence from the French-Swiss Border Region

Sandro Favre (with Francis Kramarz and Josef Zweimüller)

We use rich administrative data to study job search in the French-Swiss border region. This region forms a binational labor market on which labor can move freely, but which is also characterized by sharp institutional and economic discontinuities. We find that wages of French cross-border workers in Switzerland (CBW) are substantially higher than those of French residents working in France. Furthermore, wages and hence unemployment benefits of CBW strongly correlate with the exchange rate (EUR/CHF). In particular, we observe a sharp increase in all three variables between 2008 and 2011. A concurrent increase in the unemployment duration of CBW relative to French residents working in France suggests that this increase affects job search be-havior of CBW. To find the causal effect of changes in the benefit level on the duration of unemployment, we plan to exploit discontinuities created by the conversion of the wages of CBW to euro and assess intra-individual differences in the duration of unemployment.

Inequality and Growth through Creative Destruction

Adrian Jäggi (with Ulrich Schetter and Maik T. Schneider)

Developing countries satisfy their demand for high quality via importing. This will feed back into the incentives of domestic firms to invest themselves in quality upgrading. In this paper we will analyze how these effects are shaped by inequality within a country, a country's openness and its distance from the frontier. This will allow us to shed additional lights of the growth effects of larger inequality within countries.

The saturation of spending diversity and the truth about Mr Brown and Mrs Jones

Christian Kiedaisch (with Andreas Chai and Nicholas Rohde)

Several cross country studies find that rising household income leads to consumption spending being spread more evenly across different spending categories (Clements et al., 2006). We argue that this result is likely due to aggregation. Using more disaggregated UK household level spending data, we show that the spending diversity of households only rises up to a certain income level and then starts to decline as households concentrate more of their spending on particular expenditure categories that differ across households. It is precisely because of this growing heterogeneity of spending patterns on the household level that the average spending diversity of the population can nevertheless always rise in income. We build a model to capture these observed patterns and use it to show that ignoring preference heterogeneity across households and focusing on a model with representative households leads to an underestimation of the value of product variety.

Skill-biased Imports, Human Capital Accumulation and the Allocation of Talents

Lei Li

More than one third of China's imports are capital goods, and the share has been rising until recently. Imported capital goods are skill-complementary, and therefore increasing imports in capital goods is an important driver for the rising demand for skill. Cities that are more exposed to skill-biased imports tend to have higher skill premium. For a city at the 75th percentile of exposure to capital goods imports, it would have had higher skill premium by 5 percentage points (0.38 standard deviation) than a city at the 25th percentile of the exposure. Additional firm-level evidence show that firms importing capital goods pay higher wages and hire more skilled workers.

Sanction evasion: The case of recent Russian-Western sanctions

Piotr Lukaszuk

The paper assesses whether sanctions have been evaded in the context of the recent Russian-Western sanctions. I look at trade flows between the Western sanctioning economies and Russia's neighbouring countries, as well as those between the neighbours and Russia, to assess if a significant increase in trade of the sanctioned products has occurred since their imposition. The first results indicate that particularly agricultural products sanctioned by Russia are likely to have been evaded, notably through Turkey and Switzerland

Export Prices and Markups after a Large Appreciation

Tobias Renkin (with Daniel Kaufmann)

We use a novel data-set of matched international and domestic prices to study Swiss manufacturing exporters' price adjustments after an unexpected immediate revaluation of the Swiss franc against the euro by 10%. While export prices set in Swiss franc decline by 2%, prices set in euro fall by almost 10% in terms of domestic currency. We show that this difference is mostly driven by different markup adjustments. This result provides evidence that differences in strategic complementarity, rather than import prices, drive currency choice and heterogenous exchange rate pass-through.