

# TRADE, MISALLOCATION, AND CAPITAL MARKET INTEGRATION

## COMMENTS

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# Overview

- What happens when countries with underdeveloped capital markets open up?
  - Lower trade barriers
  - Dispose Capital controls
- Contributes to literature on misallocation, capital market integration (Gopinath 2017) + relevance for discussion about rising inequalities
- Model: still positive effects from trade opening but misallocation among exporters decreases. Gains from opening depend on degree of capital market integration
  - calibrated to CEE economies post 1989
  - Analysis of Hungarian firms' balance sheet data (2005-2017)

# Comments

- Empirical analysis - Hungarian firms' balance sheet data
  - ▶ Time frame, exporting activity and determinants
- Ownership impact
- Two groups of exporters  $\Leftrightarrow$  Global competition, investment and domestic barriers for misallocation?
- Policy implications
  - ▶ Gorodnichenko, Revoltella, Svejnar, Weiss (2020): Resource Misallocation in European Firms: The Role of Constraints, Firm Characteristics and Managerial decisions. *NBER WP No 24444*.
  - ▶ Ramirez-Rodan, Terrones, Wilches (2019): Does financial sector development affect the growth gains from trade openness? *Review of World Economics*.