TRADE, MISALLOCATION, AND CAPITAL MARKET INTEGRATION

COMMENTS

Patricia Wruuck
Economics department
European Investment Bank

June 22, 2020
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
Comments

- Empirical analysis - Hungarian firms’ balance sheet data
  - Time frame, exporting activity and determinants

- Ownership impact

- Two groups of exporters ⇔ Global competition, investment and domestic barriers for misallocation?

- Policy implications
