

The effect of the single currency on exports: Comparative firm-level evidence

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Discussion by

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Contribution

- Effects of common currency areas on trade
 - Diff-in-Diff using firm level data from Slovakia and Estonia
- Results
 - Significant and strong effect for Slovakia: 14% for exports (intensive margin dominates)
 - No effect for Estonia
- Mechanism
 - Transaction cost channel related to exchange rate volatility

Empirical Strategy

- Diff-in-Diff as in previous works but:
 - Dynamic estimation
 - GMM as robustness
- Nickell bias
 - Inconsistency in autoregressive coefficient ρ is: $1/T$ (as $N \rightarrow \infty$)
 - With $T = 6$ bias may be large
 - **Note that:** if regressors are correlated with the lagged dependent variable to some degree, their coefficients may be seriously biased as well (Baum).

Empirical Strategy

- Diff-in-Diff as in previous works but:
 - Dynamic estimation
 - GMM as robustness

- GMM is a suitable alternative but:
 - Report the lag structure used for internal instruments
 - AR1 and AR2 test also useful to be reported
 - Probably better to report the Hansen test (Sargan assume homoscedasticity)
 - Robustness to different lag structure is also important

Empirical Strategy

- Would be interesting to report results from a specification without dynamic term:
 - Easier to compare with previous studies (as Fontagné and Berthou, 2013, Berman et al. QJE2012)
 - Or at least motivate a little more why it is important to introduce dynamic term

Empirical Strategy

Table 2. Descriptive statistics of the main variables (EU trade), Slovakia 2006-2011

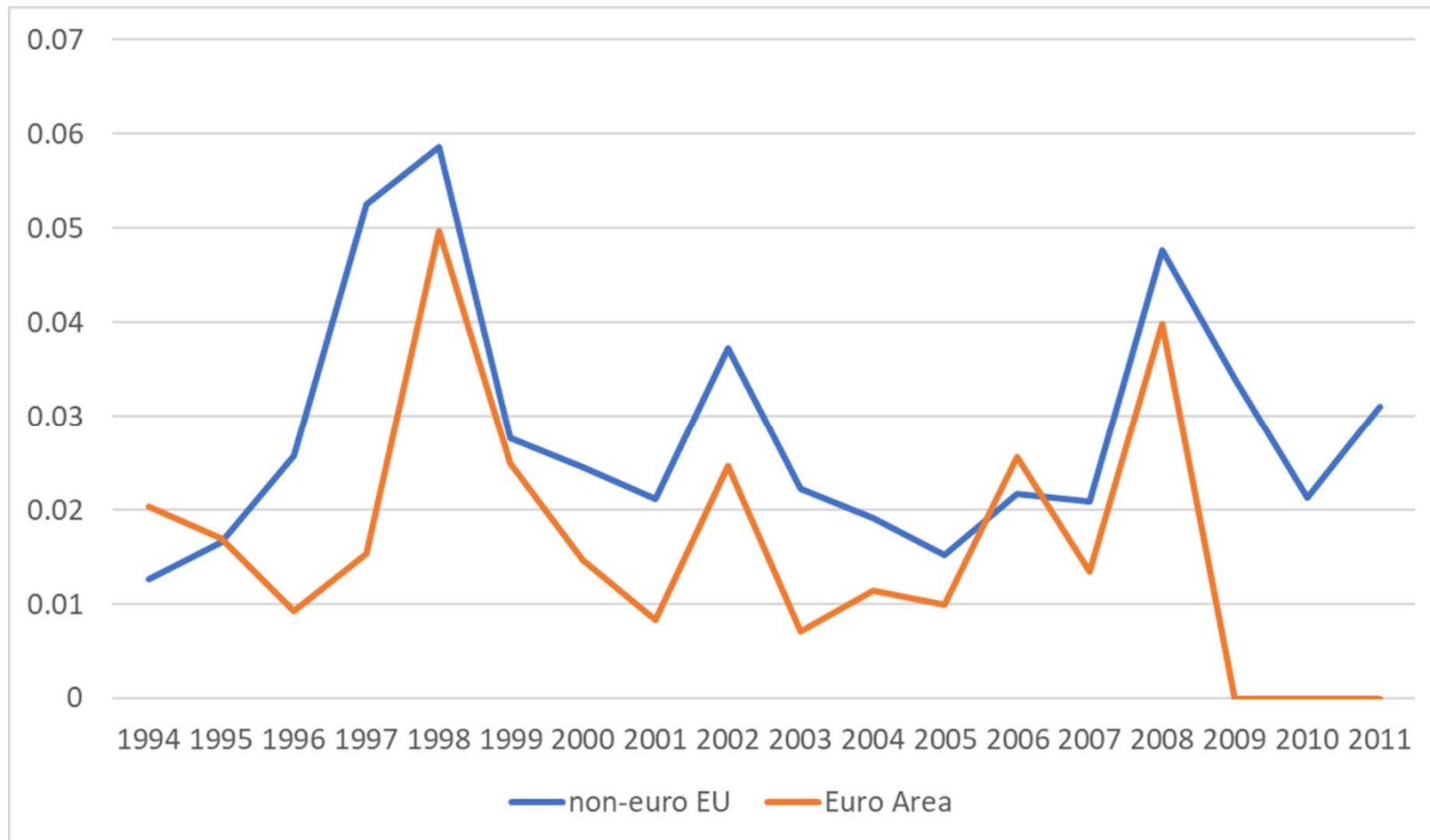
	Control group: EU non-euro area countries				Treatment group: EU euro area countries			
	Before		After		Before		After	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Average exports per HS6 product in destination (ths. EUR) (n=32991)	394.0	2098.7	539.6	4137.6	589.5	2605.0	774.8	6243.7
Total exports per destination (ths. EUR) (n=32991)	2128.4	15978.5	1733.4	10342.1	3420.7	25437.0	3179.7	27313.1

- Control and treatment group seems to differ for average and total exports (Common Trend)
- How many firms in each group ? Are those differences significant?

Empirical Strategy

- Berman et al. (2012):
- *Model Prediction I:* The elasticity of the exporter price to a real exchange rate change increases with the performance of the firm (pricing-to-market: high-productivity firms absorb more exchange rate movements in their markups).
- *Model Prediction II:* The elasticity of the firm's export volume to a real exchange rate change decreases with the performance of the firm.
- If quantities are available in custom data, prediction I may be also checked
- How to reconcile Prediction II with your results on TFP: effect of EA slightly greater for more productive firms?

Mechanism



- Is the effect only driven by Volatility? CV of variation of bilateral monthly Exchange rate. Slovakia vis-à-vis EU member states (trade weighted).
- Source: Cepii's [EQCHANGE](#)

Minor points

- Cluster is at the firm-by-destination level
 - May be more conservative at firm level and/or destination level
 - Inference is important may be worth add some robustness
- Industry level estimates:
 - *Wood Products/ Printing and media* +39%
 - *Fabricated metals* +33%
 - Are those estimates plausible?

- Thank you!