

Jobless Industrialization^a



Discussion by Federico Huneus
Central Bank of Chile

^aThe views and opinions expressed are those of the authors alone and do not necessarily reflect those of the Central Bank of Chile.

Overview

- Super interesting, ambitious and exciting project!
 - Had a lot of fun going through the analysis and thinking about these issues
- Study of labor market frictions along the development path using macro and micro analysis
 - And how it differs between early and late developers
 - Authors argue for late developers facing more labor frictions at early stages
 - For early (late) developers, social policy was after (during/before) industrialization
- Will focus my attention on three comments:
 1. Facts
 2. Mechanisms
 3. Research Question

Comment 1: More Facts on Heterogeneity Across Countries

- Value-added employment gap: Super interesting feature of the development process
 - Authors claim that late developers have a larger gap than early developers
- But there is more they can do to convince us of this
 1. They bundle Asia, but Asia has both early and late developers, eg, Japan and Thailand
 2. For the US, it is not clear that there was not such a gap at the beginning 
 - LAC gap is around 5pp at the hump peak, for the US it is around 5pp (3pp) before (during) the peak
- Alternative presentation of the facts: 
 - All countries have some degree of value-added employment gap
 - This happens at the beginning of the industrialization process
 - The gap shrinks along the development path
- Would be interesting to document more systematically these patterns
 - And explore more the cross-country heterogeneity
 - Maybe directly correlate country-level policies (eg, tax rates) with gap for late vs early developers
 - Even within early developers, there is heterogeneity in timing (and extent) of social policy

Comment 2: Which Mechanism Explains the Gap?

- Is firm heterogeneity necessary for the argument?
 - If paper is about timing of social policy and industrialization, does not seem necessary
 - The current counterfactual of changing wedge reveal that heterogeneity does not seem key
 - Although the firm-level data is appreciated to bring more facts to support the mechanism
 - And also interesting in itself, but not clear it is necessary for the story
 - Plus, would need similar US data for early stage of development to compare facts
- If authors want to push this, it is key to convince that the heterogeneity is necessary for the story
- If goal is to explain the gap, there are other mechanisms that seem relevant but absent so far
 - International trade from late developers that import technology from early developers
 - Workers in early developers had to build and use machines, now only use machines \Rightarrow Gap
 - ... + IT tech \Rightarrow Development through services, not manufacturing \Rightarrow Differences in hump (H&R)
 - Role of capital in the data and the model: Heterogeneity in access to capital could explain gap

Comment 3: Alternative Research Questions

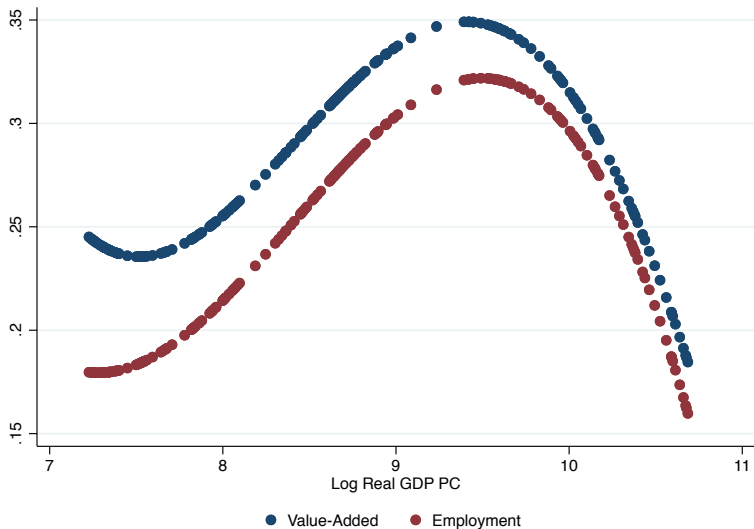
1. The role of firm heterogeneity in the process of structural transformation in developing countries
 - Super interesting, maybe somewhat different than trying to explain the value-added employment gap
 - Other frictions (eg, financial, organizational) \Rightarrow Different firm dynamics \Rightarrow Different industrialization
 - How does the life-cycle of firms vary over the development path?
 - Like Hsieh & Klenow (2014) but on misallocation along development path
2. Why is employment share in manufacturing low throughout?
 - This is a different question than understanding the value-added employment gap
 - Agricultural productivity is key for heterogenous development paths (H&R)
 - But in H&R sectoral productivity is a primitive, where does it come from?
 - Micro data could be useful for understanding this \Rightarrow Can connect to (1)

Final Remarks

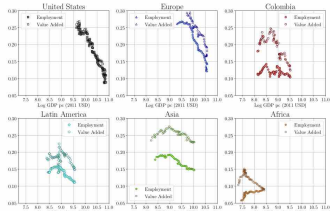
- Super exciting project with interesting economic insights, combining macro and micro analysis
- Looking forward to future versions and more research in these topics

Thanks!

Value-Added Employment Gap in the US in the First Half

[Return](#)

Value-Added Employment Gap Declines Along Development Path [Return](#)



Notes: Data sources: GGDC 10-Sector Database; Economic Transformation Database; World KLEMS; MOxLAD Database. Regional aggregations are expressed as simple averages. Europe: Denmark, Spain, France, G. Britain, Italy, The Netherlands and Sweden. Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru. Asia: China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand and Taiwan. Africa: Botswana, Ethiopia, Ghana, Kenya, Malawi, Mauritius, Nigeria, Senegal, South Africa, Tanzania and Zimbabwe.

