Discussion of Ma, Tang and Zhang (2012):

Factor Intensity, Product Switching and Productivity: Evidence from Chinese Exporters

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Characteristics of Chinese Exporters…

- Cross section:
  - Domestically-owned exporters have higher TFP than domestically-owned non-exporters (incl. SOE).
  - Foreign-owned exporters do not have higher TFP than foreign-owned non-exporters.
  - **Exporters (in all groups) have lower K/L than non-exporters**.

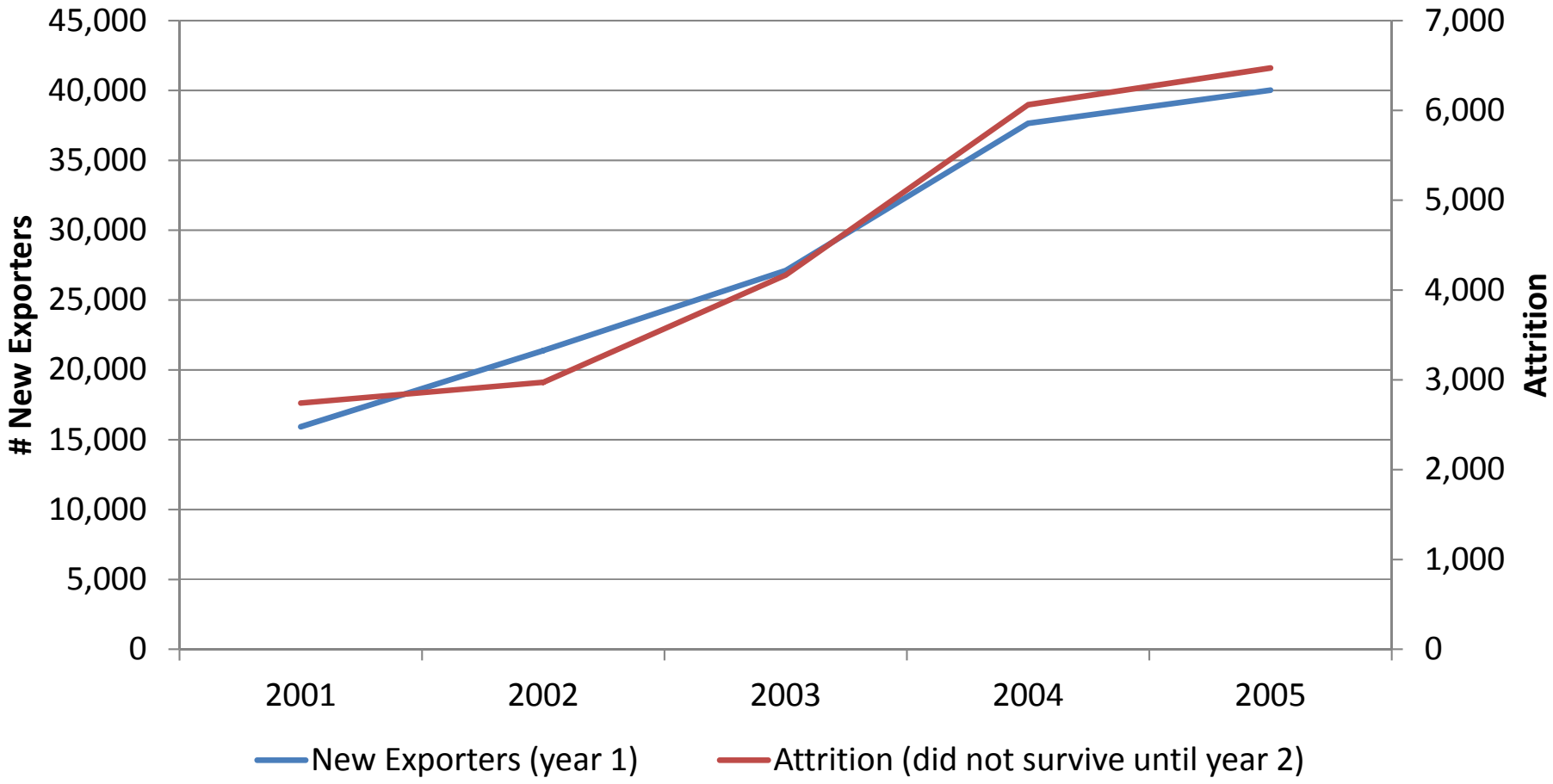
- Panel:
  - New exporters' TFP rises in the first year.
  - **New exporters experience persistent declines in K/L.**
    - **More pronounced for low ex-ante TFP firms.**
    - **Firms add L-intensive products, drop K-intensive products.**

Matching Methodology

- In this paper: Matching of firms that *enter into* exporting to those that remain non-exporters (treatment and control, respectively).

- Not in this paper (or barely): Two types of firms which might alter the results or interpretation:
  - Treatment and control groups defined by firm *exit* (i.e., match firms that discontinue export activity with those that always export).
  - Processing firms (import intermediate materials, with tariff exemptions and other tax preferences, then export the finished products).

I. Exit Treatment



Source: Table 10.

- Transaction dataset implies over **20k** firms started and stopped exporting 2000-5.
- This is *in addition to* continuing exporters that subsequently exited.

I. Exit Treatment

	Story #1: **"Learning by exporting"**	**Story #2:** **"Core competency"**
Firm **enters** export market	TFP ↑ • Y=Af(K,L): K/L unchanged • Y=f(K,AL): K/L ↓	TFP ↑ K/L ↓

I. Exit Treatment

	Story #1: **"Learning by exporting"**	**Story #2:** **"Core competency"**
Firm **enters** export market	TFP ↑ • Y=Af(K,L): K/L unchanged • Y=f(K,AL): K/L ↓	TFP ↑ K/L ↓
Firm **exits** export market	TFP unchanged K/L unchanged	TFP ↓ K/L ↑

II. Processing Trade

Table 6. Propensity Score Matching Balancing Test

		Mean	
		Treated	Control
ln(TFP)	Unmatched	-1.1267	-1.2696
	Matched	-1.1267	-1.1308
ln(wage rate)	Unmatched	1.9804	1.7199
	Matched	1.9804	1.9651
ln(sales)	Unmatched	10.101	9.5056
	Matched	10.101	10.112
ln(age)	Unmatched	2.0858	2.3672
	Matched	2.0858	2.0767
ln(K/L)	Unmatched	3.7688	3.7146
	Matched	3.7688	3.789

- Intermediate inputs are used to estimate TFP and are not included in the matching variables.
- But this implies that treatment and control firms may have drastically different levels of value added.
- Suggest using VA in place of sales?

It would be nice to see…

- …the dynamics of other firm attributes.
- …summary statistics of firm matches.