

Discussion: Offshoring, Terms of Trade and the Measurement of U.S. Productivity Growth

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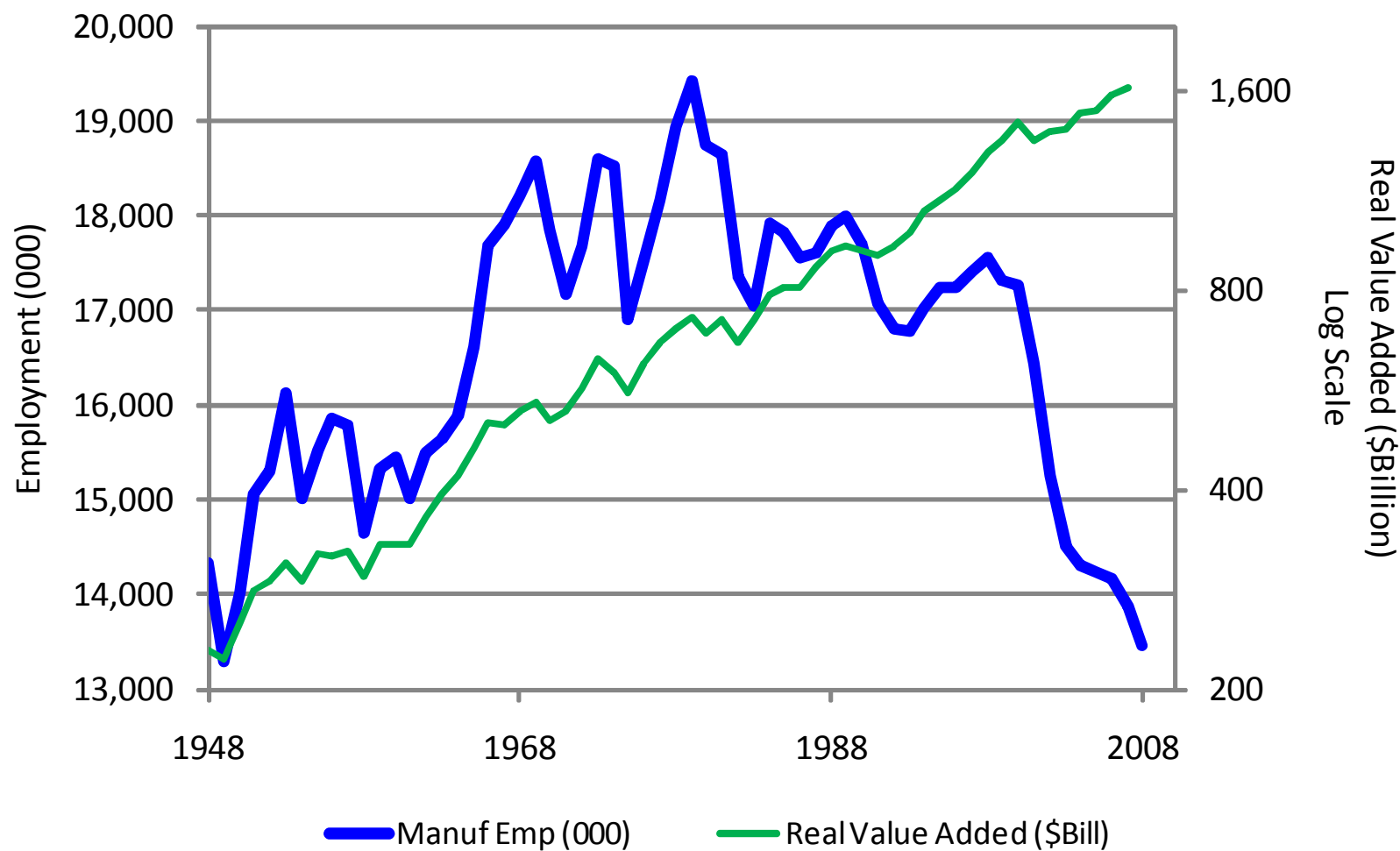
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- Any opinions and conclusions expressed herein are those of the author and do not necessarily represent the views of the U.S. Census Bureau.

Review of Results

- Krugman (1997): “Productivity isn’t everything, but in the long run it is almost everything.”
- Productivity growth accelerated since 1995
- Particularly in manufacturing

U.S. Manufacturing Employment vs Real Value Added (Annual Data)



Review of Results

- Question: Is this productivity growth due to mismeasurement?
 - Of terms of trade/changes in tariff rates?
 - Of foreign input prices/offshoring?
- Under certain conditions, mismeasurement of these factors leads to mismeasurement of TFP
- Likely bias: TOT gains are understated; productivity gains are overstated

Review of Results

- Mismeasurement accounts for 20 percent of observed productivity growth, 1995-2006
- Accounts for 15 percent of observed value-added growth for U.S. manufacturing
- Affects national accounts and our evaluation of standard of living

Comments

- I prefer firm-level source-switching estimates
 - Even in narrowly defined products, unclear whether inputs from advanced and developing are interchangeable
 - These are also the largest estimates
- Drawback is that sample shrinks considerably
- This gives a very good idea of international switching, but less from domestic to foreign

Another Data Source

- Linked Transaction-Level Data (U.S. Census)
 - Developed by Jensen et al.
 - Transaction-level trade data
 - Linked to information on products produced and inputs consumed at manufacturers
- Quantifies firms' switching from domestic to foreign input sourcing
- And switching between foreign sources

Toward a Solution

- Some useful information on the way:
 - Alterman (2009)
 - Feenstra and Jensen (2009)
 - Offshoring/outsourcing questions in Economic Census and Enterprise Surveys