Discussion of "From Macro to Micro: Heterogeneous Exporters in the Pandemic" C. Bricongne, J. Carluccio, L. Fontagné, G. Gaulier & S. Stumpner

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Previous literature

In theory: Large firms / Business groups:

- **Diversify**
  - Across countries → **International risk sharing** of macro models
  - Across sectors and/or products → **Cross-sectoral risk sharing**
- **Exploit economies of scale** to invest
  - In flexible technologies: Automatization, Outsourcing, Financial Hedging, etc
  - But also in technologies that minimize production costs, eg through foreign outsourcing (cost/resilience trade-off)
- **Have market power**
  - Over their consumers and suppliers

Previous literature

In the (French) data: Large firms

- Indeed explain the vast majority of international trade (Mayer & Ottaviano, 2007)
- ... And thus drive international business comovements (di Giovanni et al, 2018)
- Drive the business cycle (Gabaix, 2012, di Giovanni et al, 2014)
- ... Even though they are **less volatile** than smaller firms (di Giovanni et al, 2014, Kramarz et al, 2018)
- Display relative high markups (Burstein et al 2020) and high markdowns, in particular on foreign inputs (Morlocco, 2020)

This paper

- Large firms' exports **overreact** to global shocks
  - In the Covid crisis, the top 100 firms account for 41% of pre-crises exports but 57% of the decline in April-May 2020
  - In the Great Financial Crisis (comparable order of magnitude?)
  - The overshooting is **entirely** driven by the top 0.1% (100 firms)
- Diversification (across markets and/or products) does not help in a pandemic (or more generally in a global crisis)
- But paper suggests that there is something specific about very large firms that makes them **more** volatile
- The excessive volatility is also observed **within a destination** (rules out composition effects interacted with disruptions in long-distance trade)

What makes large firms more sensitive to Covid?

- Is firms' domestic turnover overreacting as well?
    - Possible that exports adjust more so that the firm can keep on serving the domestic market

  $\Rightarrow$ VAT data at the monthly level?

- Fragmentation of production processes increases vulnerability
    - Variability in import shares (within and across bins) could be exploited to test for the impact on elasticity of **exports**

- Vertical integration could help coordinating the downsizing
    - Role of intra-firm trade as proxied by LiFi linkages (eventually matched with F2F data)?
    - Role of large firms in the recovery (in the Covid crisis but also during the GFC)

- Impact of market power
    - Relative adjustments within the firm's portfolio of partners?

Minor points

- Mid-point growth rates as LHS variable: Impact of the masses at 2 and -2 in a linear model? Quantitatively important (25% of entrants if in understand Figure 9) + already ruled out that extensive adjustments matter quantitatively
- Inference based on 100 firms $\rightarrow$ Bootstrap at the level of individual firms (to account for heteroscedasticity within a firm)
- More on sectoral composition effects:
  - Within the top 10 bin there are at least three firms that export durables
  - Durables have already been shown to be key in the GFC trade collapse

Conclusion

- Rich and intriguing paper
- Overshooting of firms' exports in the context of a global crisis is a key novel result that could enrich the literature on granular firms
- Dig deeper into the source of the overshooting
  - Further exploit the regularities across global crises, between the collapse and the recovery
  - More on the possible channels?
- I look forward to reading the next version!