Comments on “Spatially Uneven Pace of Deindustrialization within A Country”

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Overview

- Paper examines regional specialization within Japan
- Uses tools for x-country analysis
  - Justification: factor mobility appears sluggish within countries
- Findings
  - Deindustrialization due to $P^{manufactures}\downarrow$
  - Not offset by productivity growth and capital deepening
  - Spatial interdependence is limited
- Initial reaction: great idea!

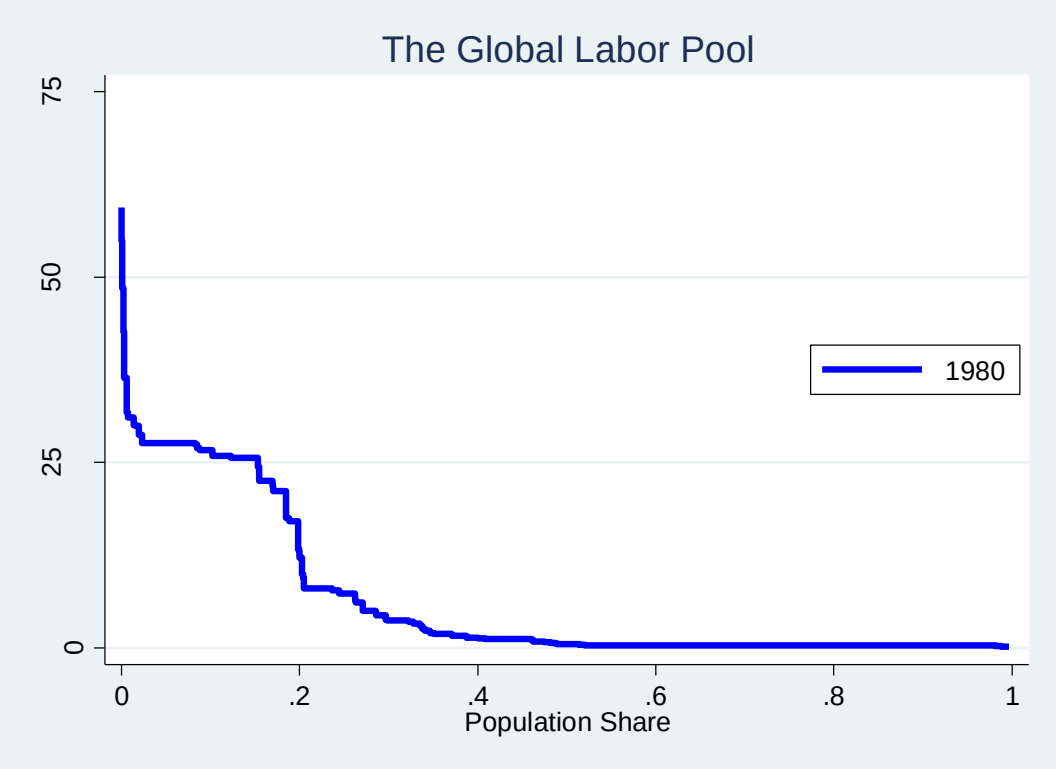
context

My Comments

- Context
- Challenges
- Suggestions
- Minor Comments (for author)

Inequality Across Countries

Leamer and Schott (2005)



Source: World Development Indicators and author's calculations.

Inequality Across Countries

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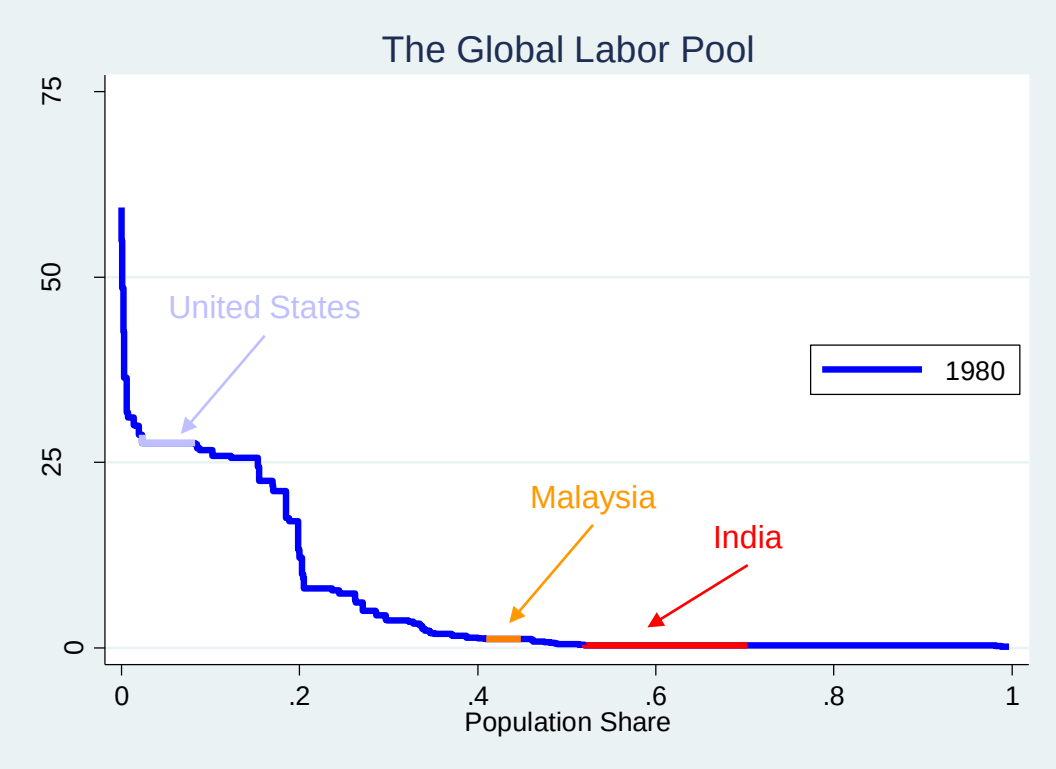

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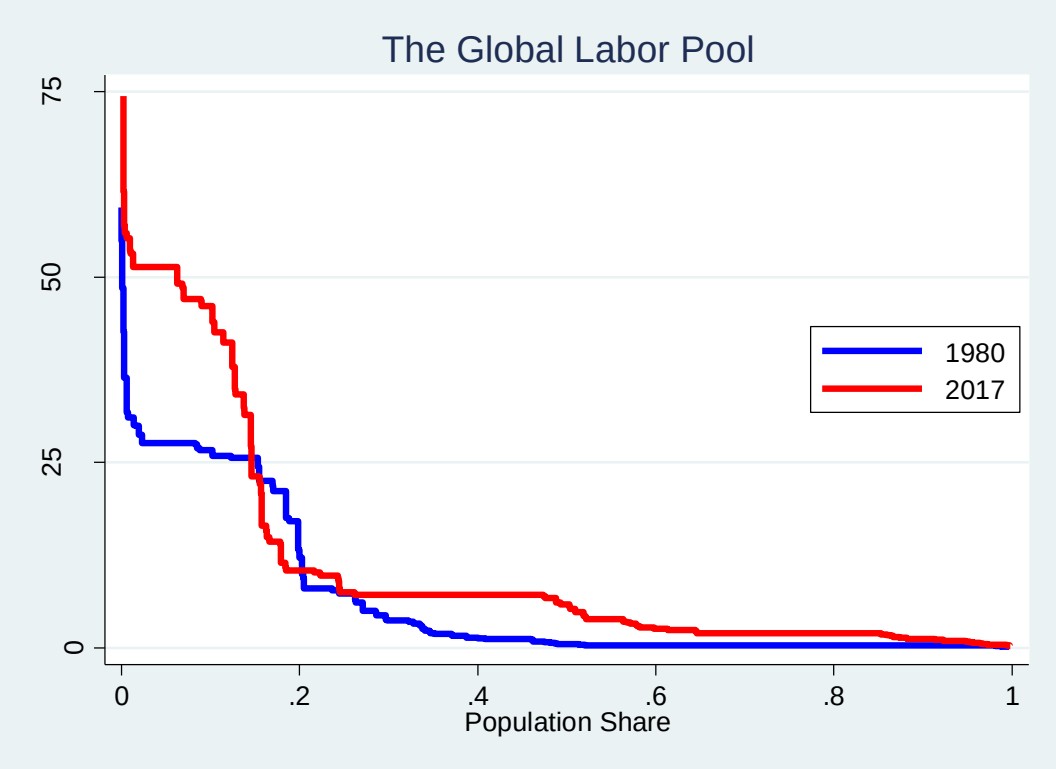

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Inequality Across Countries

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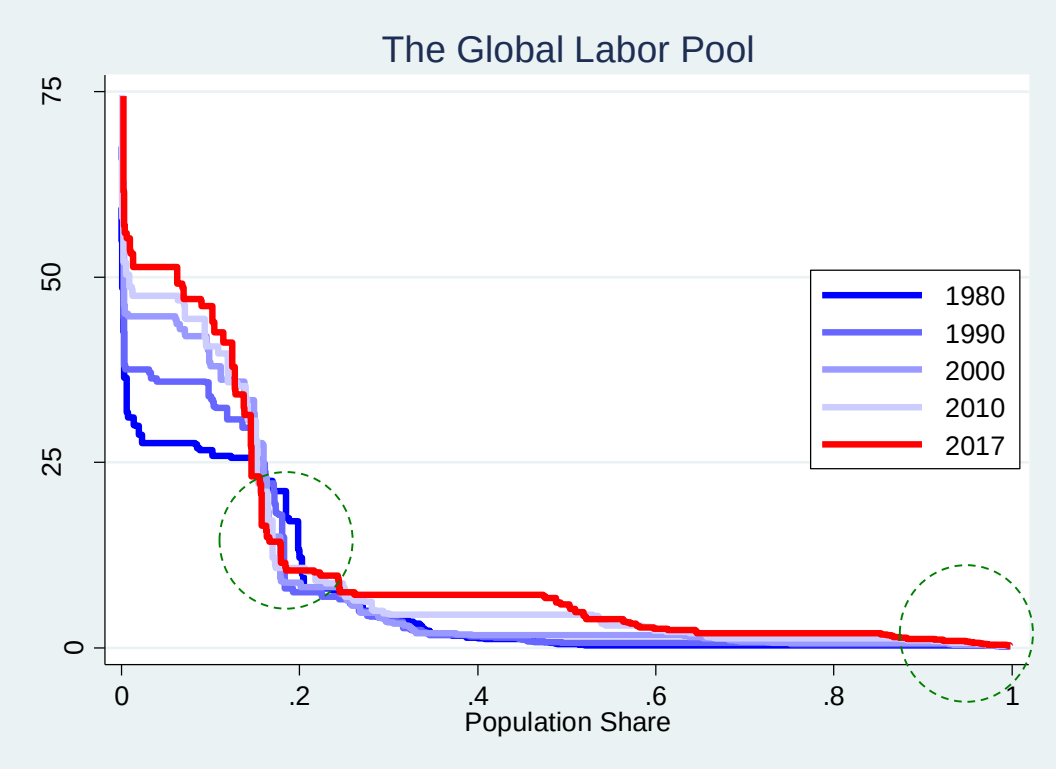
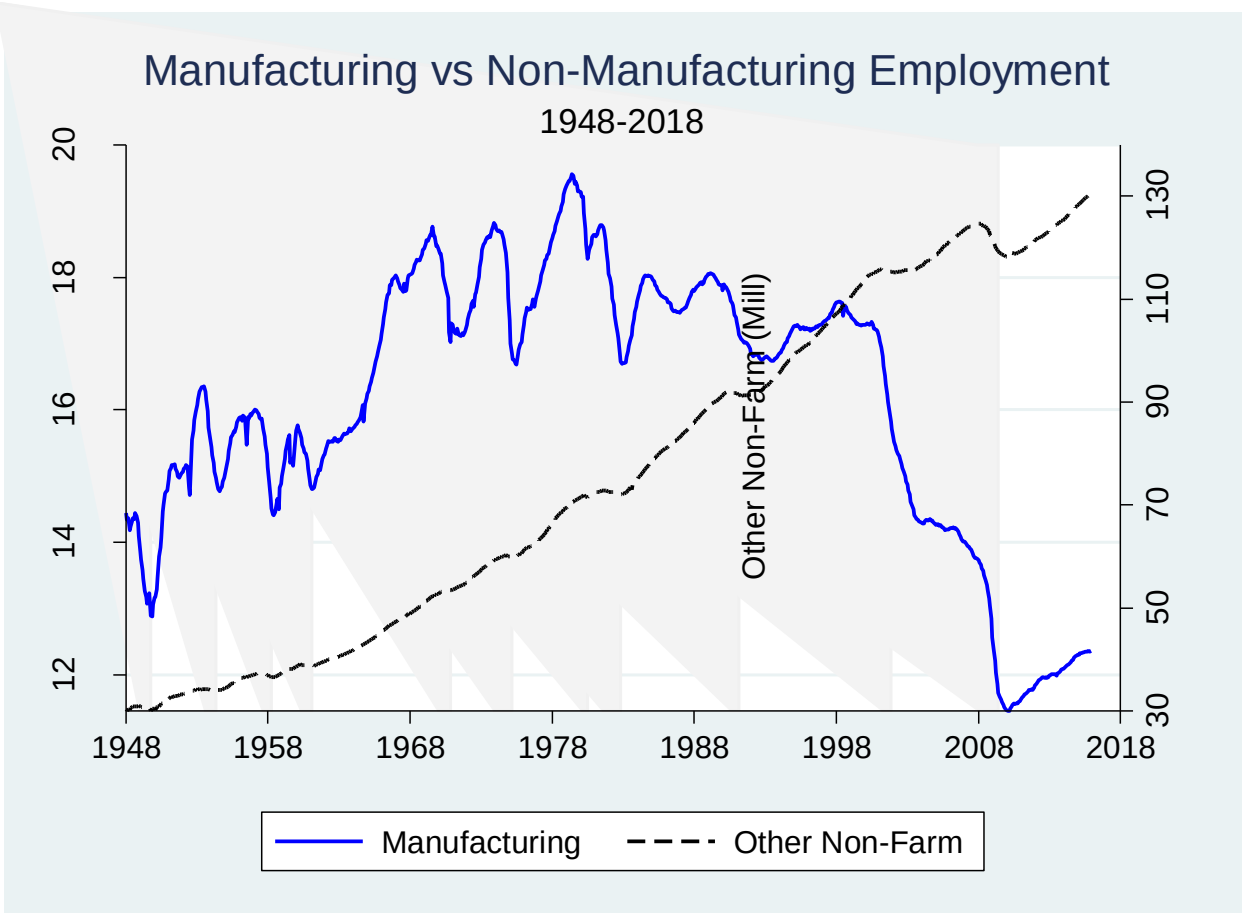


Source: World Development Indicators and author's calculations.

structural change within countries

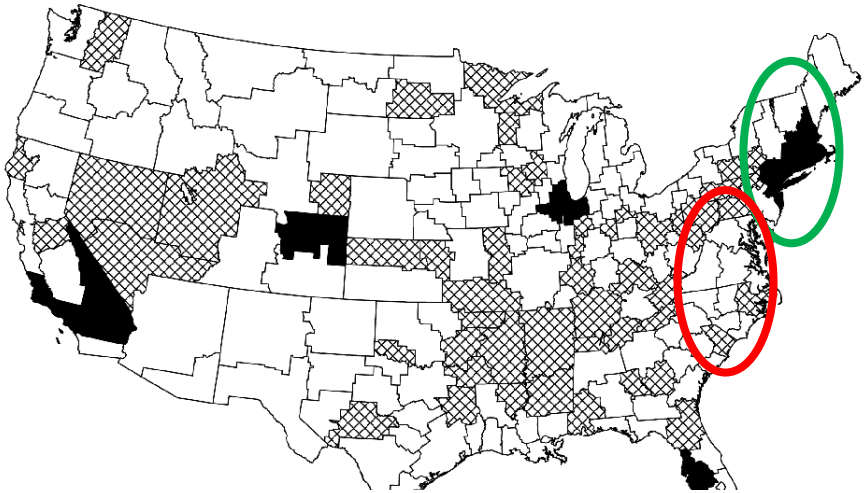
Deindustrialization in US Employment



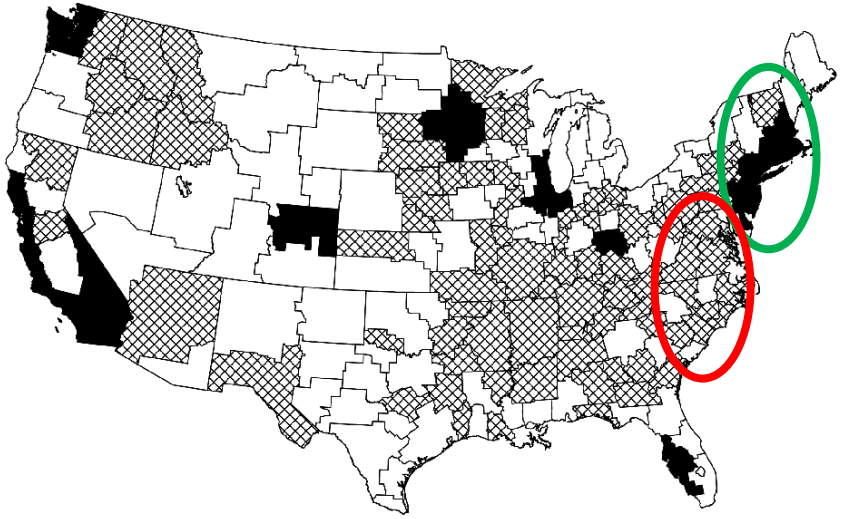
FPE Increasingly Absent in the US

Bernard, Redding and Schott (2012)

1972



1992



Skill Abundant (low relative skilled wage)

Middle

Skill Scarce (high relative skilled wage)

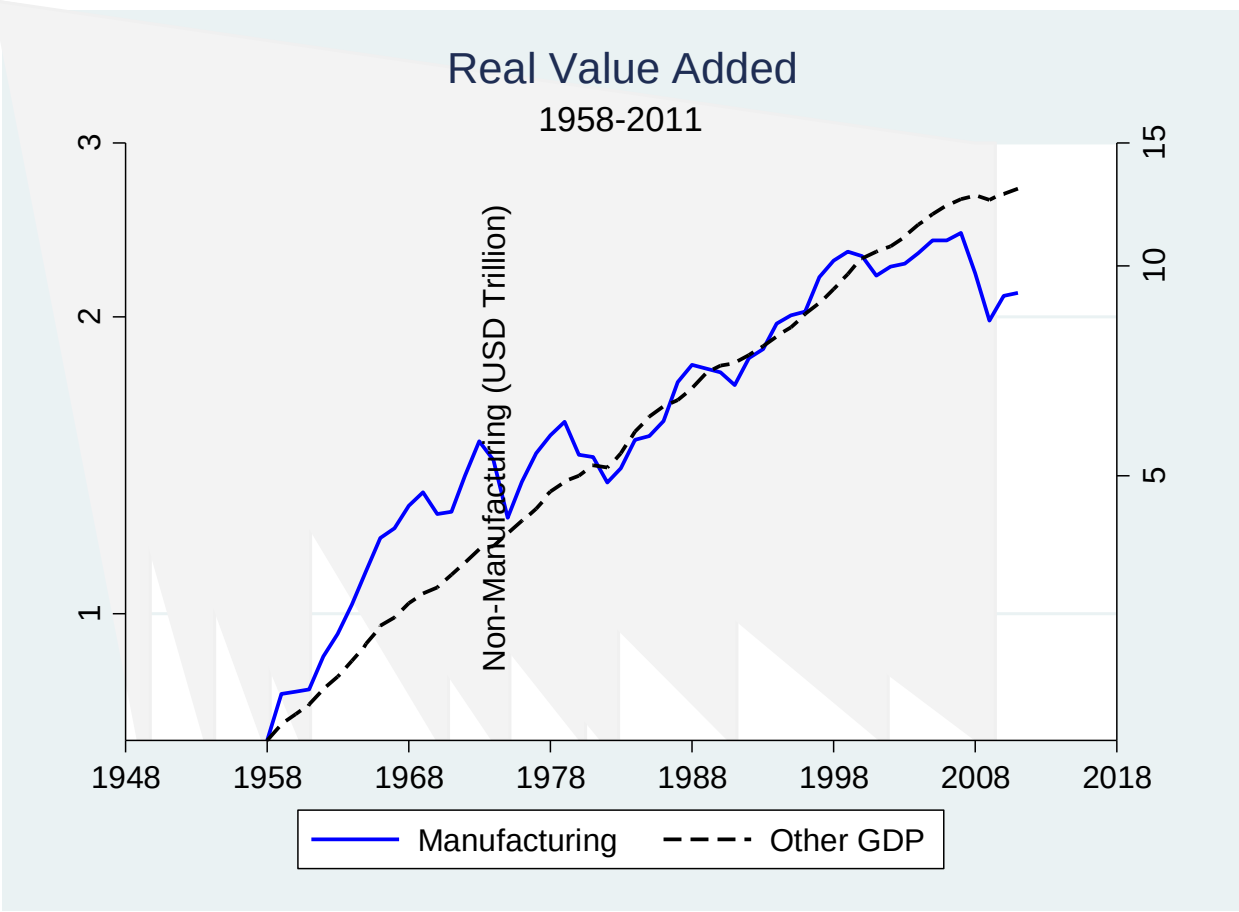
Pulling apart of relative wages over time coincides with increasing disparity of regional product mix.

Comment: Would be neat to know more about regional variation in skilled wages across Japan

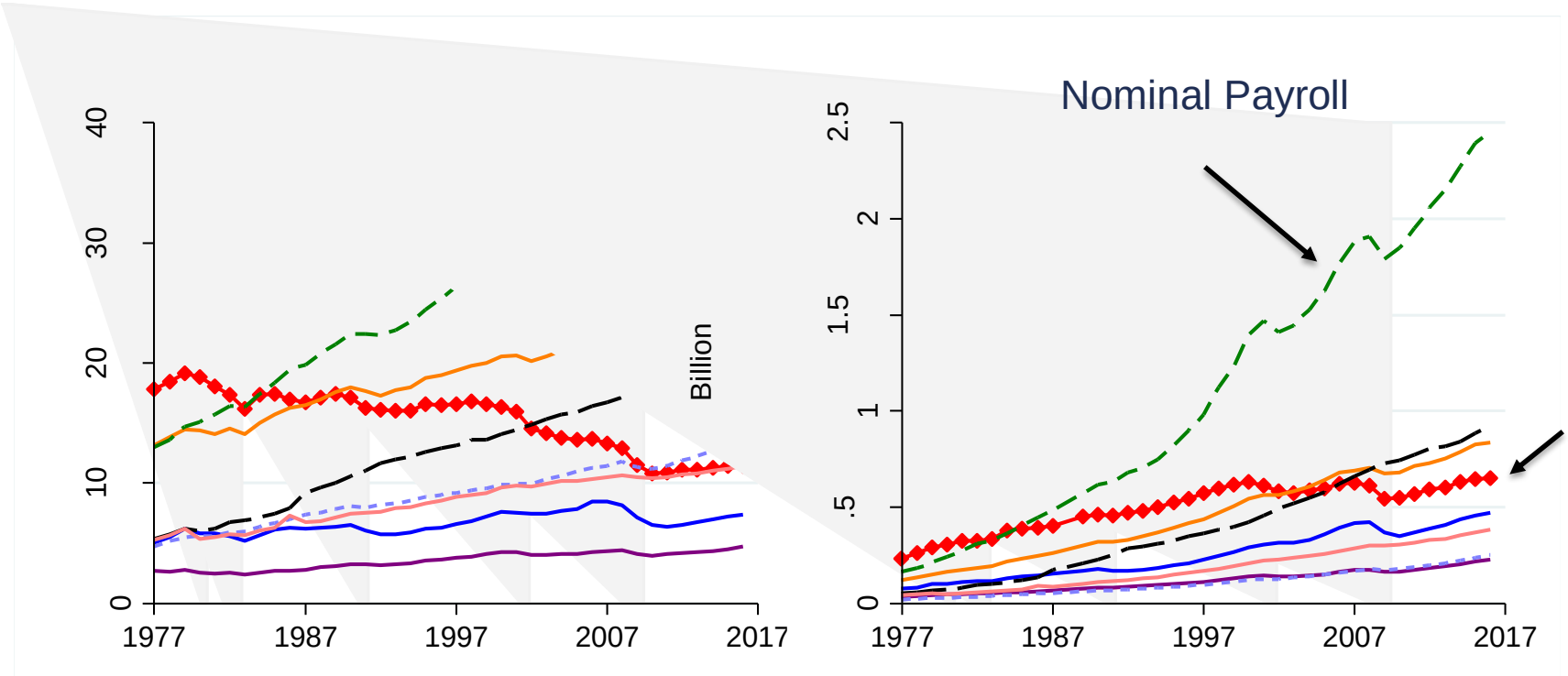
Deindustrialization → Politics

Some politicians seek to
restore the old equilibrium

US Manufacturing GDP



Employment vs Payroll



2	Mining, Utilities, Construction
3	Manufacturing
42-5	Wholesale and Retail
48-9	Transportation, Warehousing
5	Business Services
62	Healthcare
72	Accommodation, Food
	Other

Comment: Would be neat to know more about the rise of professional services and the evolution of Japanese manufacturing

challenges

Challenges to Measuring De-Industrialization

- Data!
  - Manufacturing and non-manufacturing data?
  - Labor-market-level data?
  - Employment, wages and sales data?
  - Firm-, establishment-level data?

- Here:
  - Focus on production (vs consumption, employment, wages)
  - Prefecture (vs labor market)
  - Business services (vs high-skilled services outside FIRE)
  - Coarse factors of production (L vs high- and low-skilled labor)

suggestions

Suggestion 1

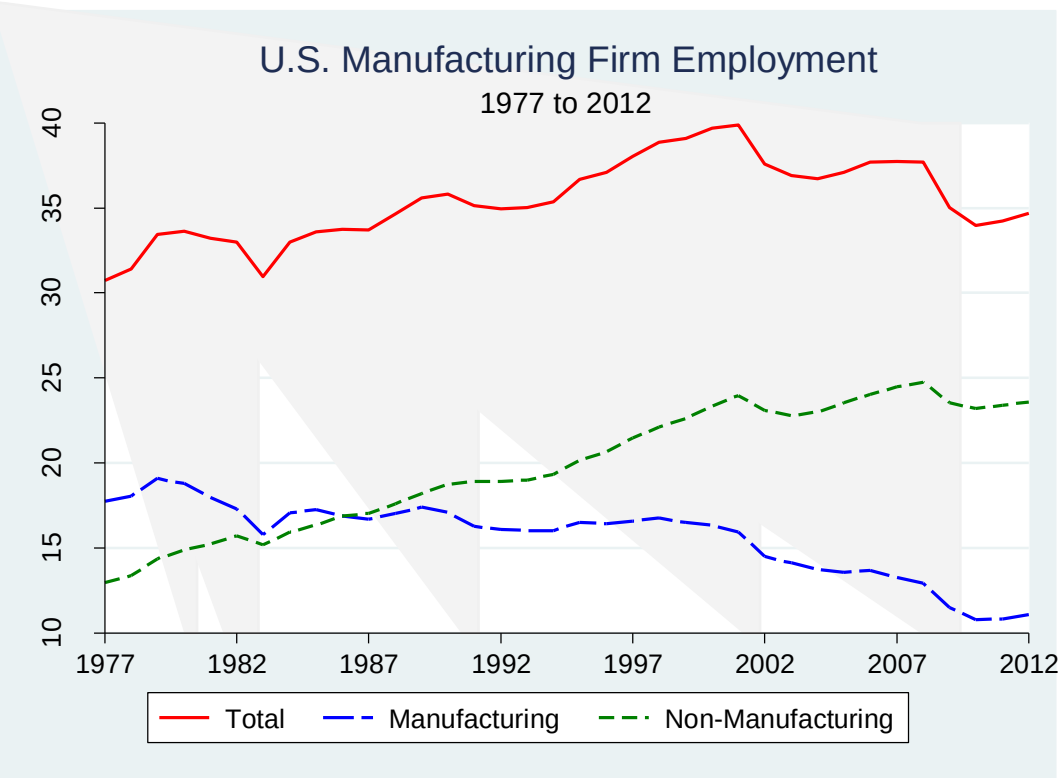
- Paper presents some really cool findings and provocative trends
- More on mechanisms would be great!
  - Figure 3 (prices and tfp)
    - Interesting sharp decline in manufacturing prices around 2000
    - Looks like productivity takes off then as well
    - China?
  - Figure 4 (L and K/L)
    - Why does L fall so much after bubble bursts?

Suggestion 1

- More on mechanisms!

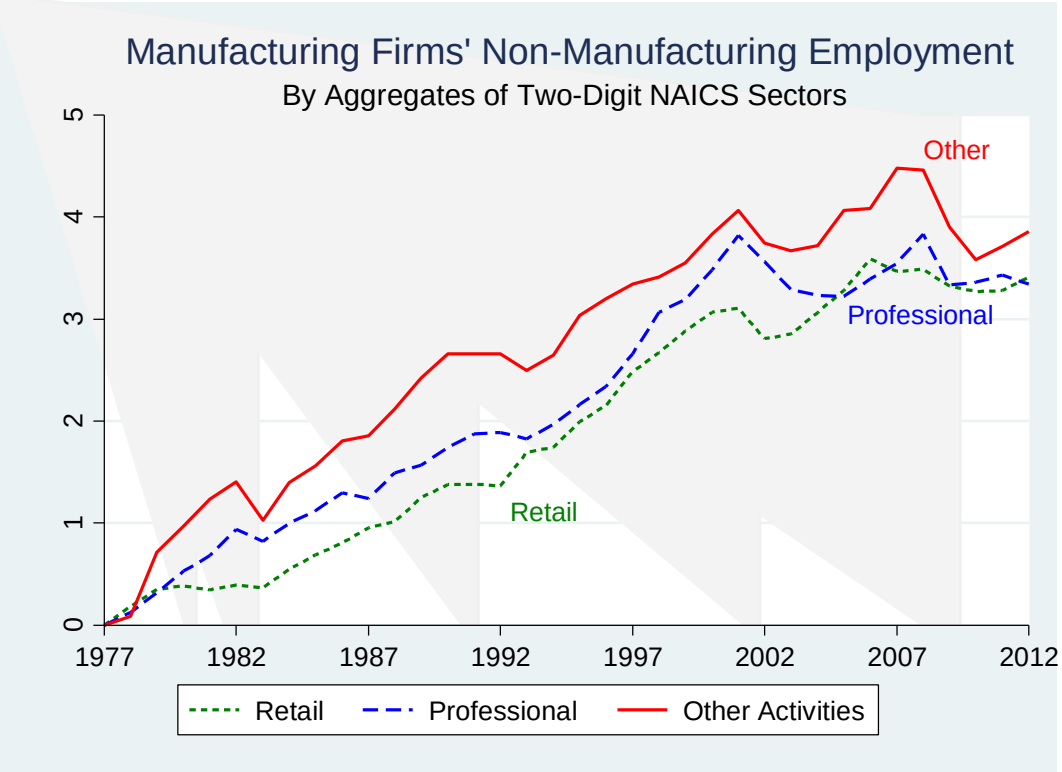
Suggestion 2

- What's going on within firms?



Suggestion 2

- Would be cool to look into what is going on within firms



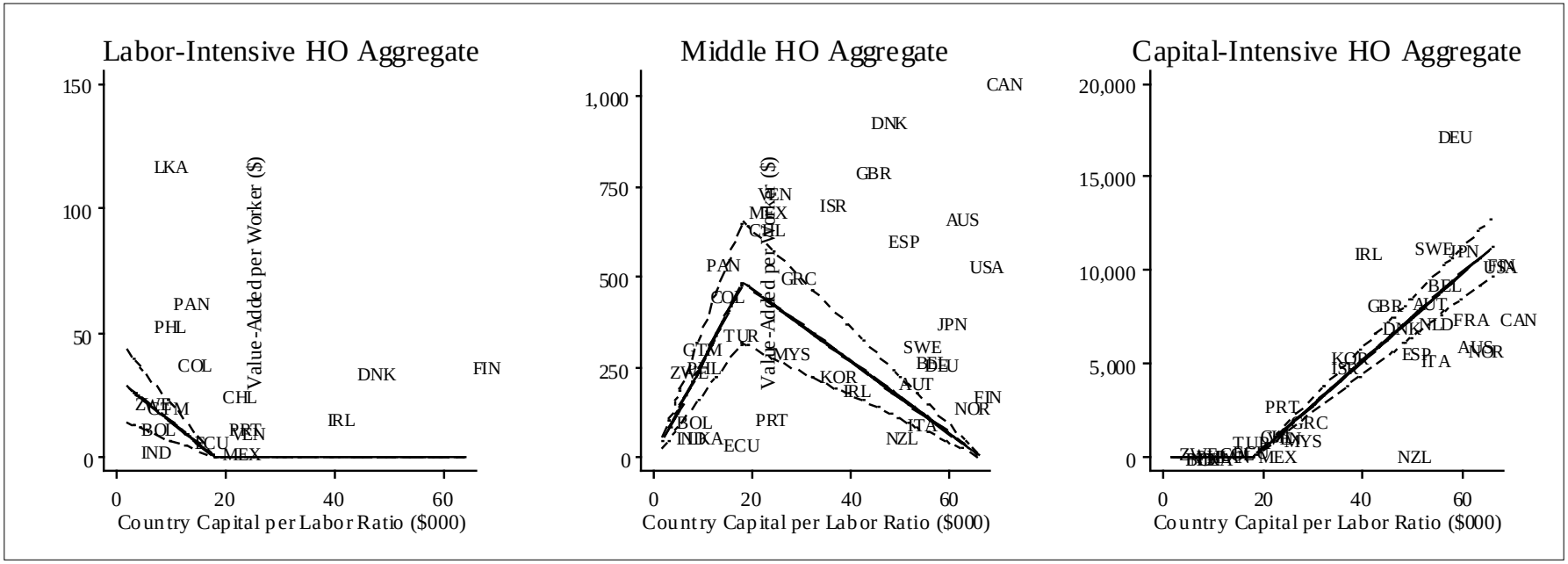
Suggestion 3

- Single vs multiple cone perspective?

$$
\begin{aligned}
s_{zjt} &\equiv \frac{p_{zjt} y_{zjt}(\varphi_{zt} p_{zt}, v_{zt})}{r(\varphi_{zt} p_{zt}, v_{zt})} + \varepsilon_{zjt} \\
&= \beta_{0j} + \sum_k \beta_{jk} \ln \varphi_{zkt} p_{zkt} + \sum_i \gamma_{ij} \ln v_{zit} + \varepsilon_{zjt},
\end{aligned}
$$

Suggestions

- Single vs multiple cone perspective?



Source: Schott 2003.

Conclusion

- Interesting trends
- Got me thinking more about Japan's structural change
- Looking forward to hearing more

End

Minor

- Label sectors in Table 1; are table notes wrong about Business Services? Else, interesting that Business Services does not grow more in Japan during this period (vs US)
- Bigger legends in figures please!
- Poor HO performance???