Discussion of Kabir, Matray, Müller and Xu "EXIM's exit"

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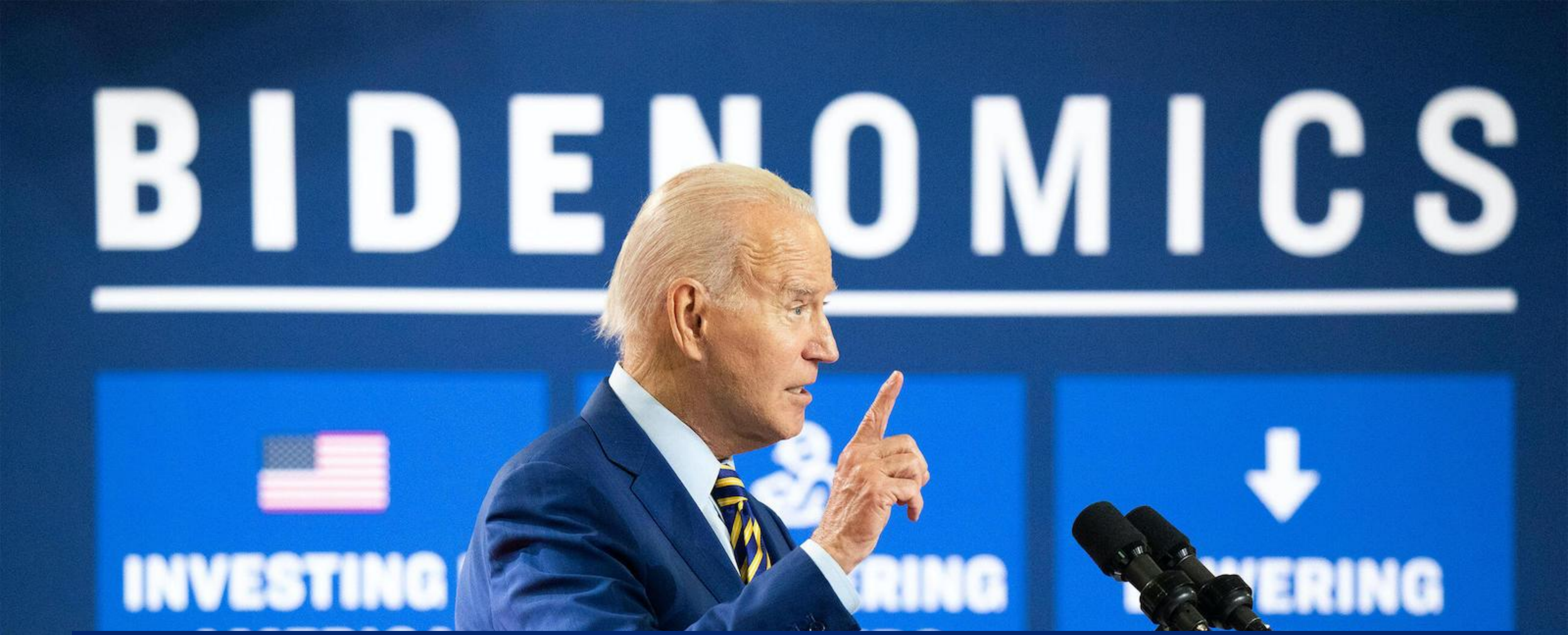
Agenda

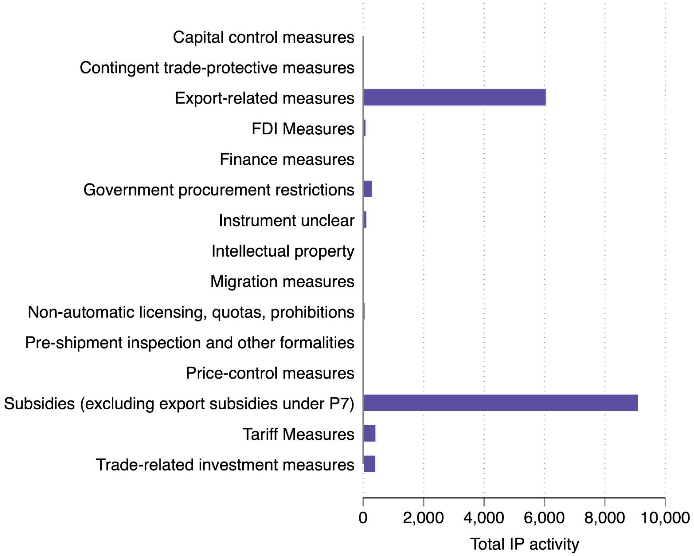
1. Big picture: What KMMX do and why it's important
2. How do we interpret the results?
3. Econometric quibbles


BIDENOMICS
INVESTING



Industrial policy is back and economics is playing catch-up

Yet industrial policy never went away



Modern IP is heavily outward oriented

Juhász, Lane, Oehlsen and Perez (2022)

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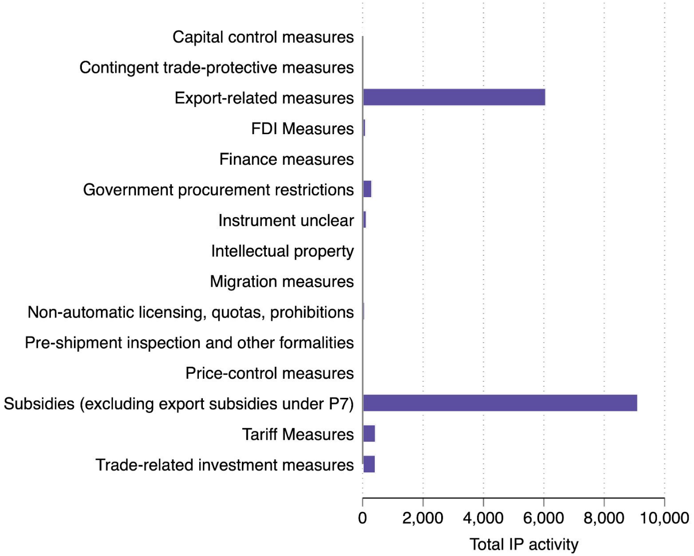
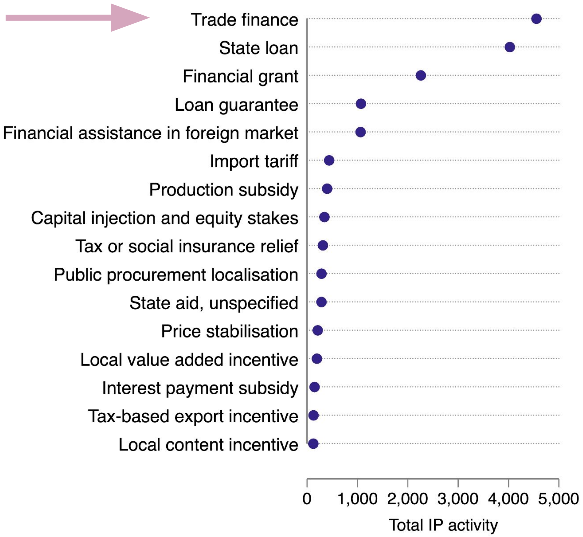




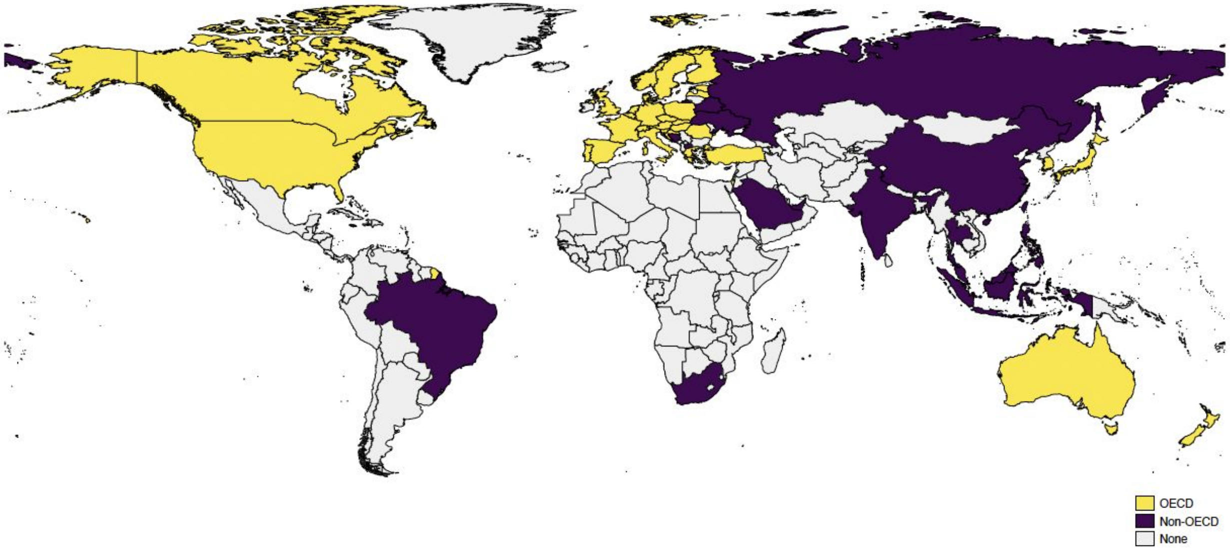
Modern IP is heavily outward oriented

Top 15 most common policies, using disaggregated data (62 types)

Juhász, Lane, Oehlsen and Perez (2022)

Export credit agencies are prevalent

Figure A.1: Export Credit Agencies Around The World



Yet we know very little about their impact —> KMMX

What KMMX do

1. Use temporary shutdown of US EXIM bank as natural experiment to study the effect of credit subsidies

2. Main finding: EXIM's exit led to a contraction in affected firms' sales and exports + a bunch of other outcomes.

3. Careful to show that this hit financially constrained, high MRPK firms most -> suggests EXIM bank is solving financial frictions

EXIM seems to be doing more than offering handouts to a privileged few

But … does this fully convince us that EXIM is helping with a market failure?

Alternative story:

- EXIM is crowding out private trade financing

- The shock is (ex-post) temporary. Ex-ante, there is a reasonable chance that it is temporary.

- It is costly for firms to switch lenders and costly for another financial institution to step in.

Can you try to answer the question of what the credit agency is doing that the market can't provide?

- To be fair, the paper already does A LOT.
  - EXIM is lending to destinations with higher political country risk
  - There is a strong sense that EXIM is taking the least profitable parts of the market
  - But EXIM is profitable, so ....
- Is it about the money, or something else the EXIM bank is doing that the private sector can't?

Example from US Department of Energy Loan Programs Office

- Part of their job: vet clean energy projects from a scientific point of view
- Office uses the network of scientists and experts at the Department of Energy to vet the projects

“The scrutiny you go through can be pretty intense — it takes years, they bring in teams to go over every little detail of our technology, our business plans,” said Rob Hanson, Monolith’s chief executive. “But at the end, you don’t just get a loan, you get validation from one of the most sophisticated technical organizations in the world, which is incredibly valuable.”

New York Times, 2023 A Swaggering Clean-Energy Pioneer, With $400 Billion to Hand Out

Econometric questions

1. Why isn't the baseline sample the set of firms eligible for EXIM support? Ie. exporters.

2. Definition of exposure: EXIM doesn't fully shut down; the "treated" firms are the ones who wanted to but couldn't get loans. Why not use exposure based on prior BIG loans (vs. any EXIM exposure)?

3. It would be good to see that pre-shock, firms are "repeat" users of big EXIM loans. The idea behind treatment exposure implicitly assumes this, but you can test for this pre-treatment.

To conclude

- This is a really important, careful paper on an absolutely essential question

- I look forward to seeing what the authors do next

- Keep up the great work!