

The Impact of Contract Enforcement Costs on Outsourcing and Aggregate Productivity

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Discussion by Nuno Coimbra
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- ▶ Structurally estimate model and run counterfactuals

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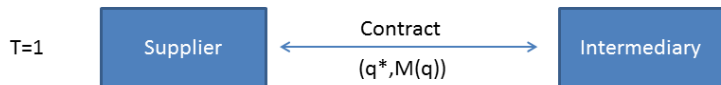
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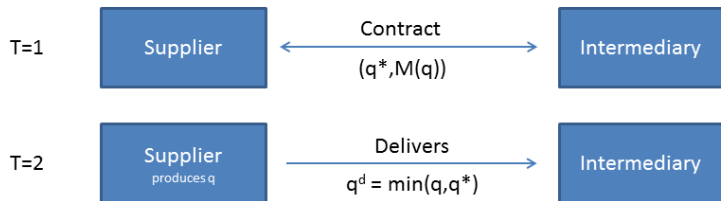
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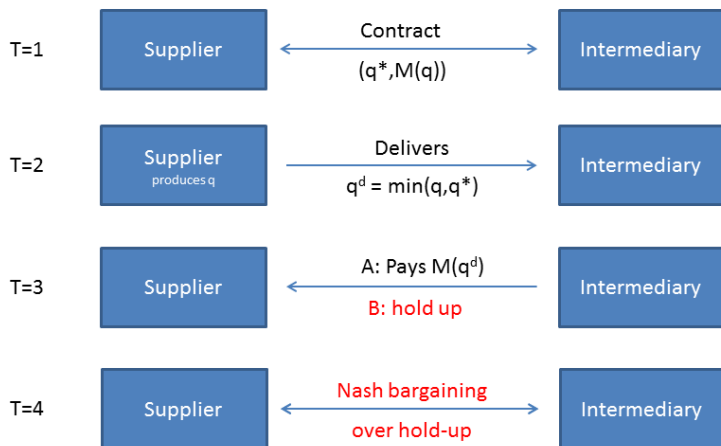
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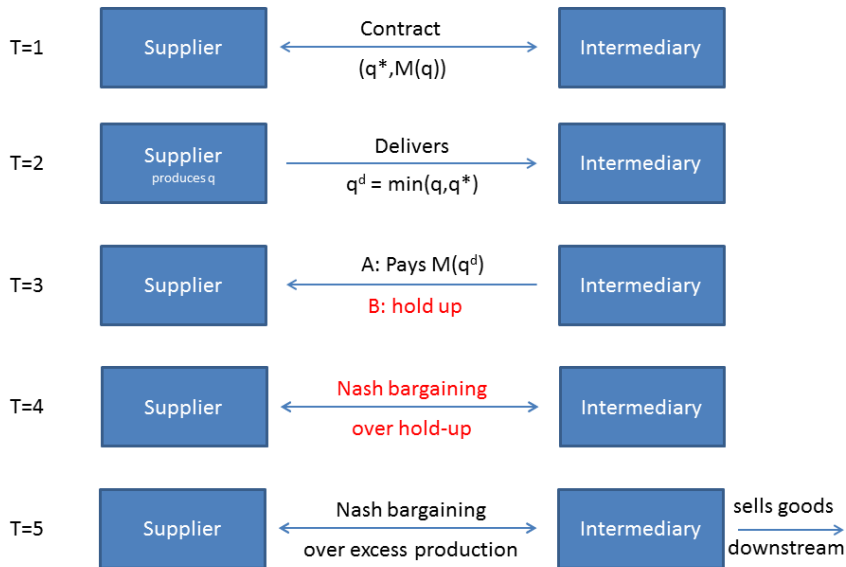
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- **Households close the model**
 - Fixed labour supply
 - Constant expenditure shares:

$$\frac{p_i c_i}{wL + \Pi} = \eta_i$$

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 - Inefficient production leads to changes in input bundles downstream
 - Distortions in upstream sectors particularly important

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Corollary 5 *For sufficiently high relationship-specificity, expenditure shares on intermediate inputs are strictly decreasing in enforcement costs*

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- Cross-country? Maybe some dispersion measures might help.

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- For example, plot output as a function of δ using estimated technology parameters for the US

Concluding

Great paper

- Innovative model, bridging different literatures
- Explicit, micro-founded link between productivity and institutions *for a given technology*
- Effects on output seem quite important and first order