Assessment of "Mitigating the adjustment costs of international trade" by Akman, Brandi, Dadush, Draper, Freytag, Kautz, Rashish, Schwarzer and Vos. *Economics*, Discussion Paper No. 2018-49, June 13, 2018.

This policy brief provides an overview of adjustment costs associated with international trade in the current climate of rising global resistance to trade. It reviews existing policy mechanisms that are used to mitigate these adjustment costs. Further it provides some insight into other measures that are potentially less inefficient and more effective in helping displaced workers. The brief is well-timed and well written. It does a great of job of condensing a large amount of research literature into a readable treatise, and it provides some common sense policy prescriptions.

Substantive Comments

- The analysis **should have carefully differentiated between Agriculture, Manufacturing, and tradeable Services** with respect to the impact of trade; of protectionism; and of technology shocks. The current structure of the brief is too general, and veers from examples in manufacturing to those in agriculture. Services are ignored.
    - A central thesis of the brief is that while technological shocks cause displacement, international trade is also associated with real, human costs in terms of lost employment and lack of opportunities. But it is important to acknowledge that the vast amount of technological change in the past 40 years has been intensely focused on the manufacturing sector, and on some tradeable services. The "*death of work*" is a real phenomenon in the manufacturing sectors of economies rich and poor! I would say that Agriculture (post-Green Revolution) is the sector where international trade has had the most unadulterated effect on employment and production structure. Thus, one must distinguish between sectors while analyzing them in the context of technology versus trade.
    - Further, the agricultural sector has its own very unique challenges pertaining to land ownership structures, historical factors, importance of tribal/village networks in transmission of agricultural knowledge and experience, etc that affect crop selection and response to import competition. These factors are not very relevant for manufacturing. This context must be provided to the reader while discussing examples of high adjustment costs in Agriculture in developing economies (page 4, para 4).
    - To their credit the authors themselves highlight the sectoral differences in adjustment costs (page 4, para 1). Economies will have different adjustment periods and costs depending on the nature of their import-competing sector. Thus economies where the import competing sector uses highly specific inputs will have longer adjustment times and costs, as other sectors find it hard to use these highly specific inputs. Economies where the import competing sector uses generic inputs may have an easier time. The expanding export sectors will more quickly absorb the generic inputs. However, this excellent point is not used in framing the subsequent analysis.
    - In the next paragraph (page 4, para 5), the authors swerve to "industrialized" economies. This phrasing can be misleading particularly in the context of the US, a large proportion of whose exports are agricultural products! The import-competing sectors in the US are light manufacturing, while exporting sectors are heavy/hi-tech manufacturing and agriculture. So any discussion of adjustment periods and costs must take into account this

structure of international trade. My suggestion would be to analyze groups of economies based on their main import-competing industry, rather than generic terms like "industrialized"

- The analysis should clarify that **there is not a clear distinction between technology shocks and trade shocks**. The brief, too conveniently, and maybe a little misleadingly, presents a clear dichotomy between the two. But it is important to acknowledge that trade and technology shocks are correlated, and that one shock may exacerbate the other.
    - For e.g., comparative advantage factors and lower tariffs (trade shock) may lead to imports of labor-intensive goods into the US from China, but it is technology shocks (in transportation, information technology, etc) that lower the costs of engaging in international trade. Thus the effect of the trade shock is enhanced as a result of the technology shock.
    - In fact, this strengthens the authors' point that all displacement should be treated alike in policies that are used to help displaced workers.

- The brief places emphasize on social insurance and pension schemes that benefit all workers, not just those displaced by trade, as the most effective and least distortionary ways to mitigate adjustment costs. However, without a discussion of **the demographic and fiscal challenges** that currently face developed economies (and increasingly, developing economies) it is easy to dismiss and undermine the policy. While I agree that it is beyond the purview of the brief to discuss how to fund social insurance and pension funds with falling fertility and birth rates, I wish they had acknowledged this significant issue.
    - And not to seem facetious, but I wish that not every example of successful social insurance programs was from small, homogenous economies with populations the size of New York city (Sweden, Austria) or a quarter that of the US (Germany)!

- Lastly, there is a substantive point that I wish the brief had emphasized, rather than relegate to the last sentence. And that is the **role of clear, yet nuanced communication** between the public, policy makers, and the research establishment. One important reason for the recent (and global) backlash against trade is the overly simplistic and misleading way in which increasing international interdependence has been sold to the public in the past. The basic message that was put out was "trade lowers prices, creates higher quality jobs" is not untrue. But it is only half the message that completely leaves out the distributional effects of trade (predicted by even the simplest models of trade taught in Principles of Microeconomics courses). Of course, this omission is self-serving, and politically motivated for both the left and right. Because with the omission of distribution, policy makers, politicians and researchers do not have to wade into the treacherous waters of "redistribution" as the main way in which everyone can benefit from trade.

  It is imperative that the economics establishment actively encourage public acceptance, and non-polemic, nuanced conversations regarding the distributional effects of trade. We must hope that these honest conversations de-stigmatize the role of redistribution (via social insurance and social pension programs) in mitigating the human costs of technological change and international trade.