

Felix Tintelnot: Research Statement

As an international trade economist, I am dedicated to understanding how trade and multinational production affect economic outcomes and welfare. As much of today's international commerce is carried out by large global firms, my research focuses on modeling globally producing firms' decisions and analyzing theoretically and empirically their responses to economic policy changes. I develop structural models of firms that make complex and interdependent decisions across countries. My research has leveraged a variety of data sources (e.g., retail prices, worker and firm tax returns, firm-to-firm transactions) and quasi-experimental variation to unpack the effects of multinational production and trade on consumers, workers, and technological capabilities of countries.

The first strand of my research agenda focuses on multinational firms. In my job market paper [1], I develop a framework of multinational firms' location decisions allowing for both export platform sales and increasing returns at the plant level. I demonstrate that these features imply strong third-market effects from bilateral trade and investment agreements through the production decisions of multinational firms. In [2], we examine multinational firms' production relocation in response to tariffs and the implications of these decisions on consumer prices. In the context of the washing machine industry, we show that multinational firms are able to avoid the country-specific tariffs by switching their production locations. Using retail price data, we also document that large consumer price effects emerge only when tariffs are placed equally on all foreign countries. In [3], we consider the widely held belief that multinational firms have transformative effects on the local economies in which they locate production. A quantification of these effects has been elusive due to data limitations and concerns with the identification of causal effects. We leverage U.S. tax records on firms and workers to investigate the implications of multinational firms for the host locations, estimating both the direct effects of multinational firms on their workers as well as their indirect effects on other local firms. In [7], we evaluate why multinational firms tend to have higher market shares in their home market. Using data on retail prices, production locations, and brand origins, we identify the roles played by preferences versus cost factors in explaining the home market advantage of firms in the automobile sector. In [8], we study the life-cycle dynamics of foreign firms' activities in their host locations. In ongoing work [10], we examine the extent to which entire production networks move in response to tariffs and investigate whether optimal trade policy should differentiate between final and intermediate goods. In the context of this project, we also develop a novel search approach to interdependent location and sourcing problems.

A second strand of my research focuses on firms' global sourcing decisions and the direct and indirect participation of firms in foreign trade. In [4], we develop a tractable model of global sourcing, which allows for interdependencies in firms' sourcing decisions across countries. We show that under an empirically relevant condition, firms' sourcing decisions are complements across countries, implying that lower costs of foreign inputs increase the overall domestic sourcing by the internationally engaged firms. In [5], we use administrative domestic firm-to-firm transaction data to document firms' direct and indirect participation in foreign trade. We find that most firms obtain a lot of foreign inputs indirectly from their domestic suppliers, and that foreign demand shocks affect both directly and indirectly exporting firms similarly. In ongoing work [11], we combine the firm-to-firm transactions data with matched firm-worker data to investigate how the surplus from exporting is shared between firms and workers along the entire supply chain.

A third strand of my research agenda focuses on economic geography. In [9], we investigate the frictions associated with crossing the border inside the European single market in the context of the wind turbine industry. In [6], we develop a framework for the analysis of a spatial economy with granular data. We show that settings frequently studied by economists are granular in the sense that the number of decision makers is small for the economic outcomes studied and that failing to take this granularity into account adversely affects model predictions due to selection and overfitting biases. Our granular framework is just as tractable as prior work-horse models and provides better predictions as illustrated by event studies of office openings in New York City. In ongoing work [12], we extend the granular approach to the international trade context and test the conventional and granular trade models' predictions of economic response to the recent US-China trade war.

References

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