

## Discussion of:

# “Why is Europe Falling Behind? Structural Transformation and Services’ Productivity Differences between Europe and the U.S.”

by

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ADEMU Final Conference

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Univ. Bonn

Florence, 9 – 10 May 2018

# Main idea of paper

- Productivity differences between Europe and U.S.

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- Use a model with many sectors to explain patterns

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- sectoral TFP differences important

# Components of Paper

- Facts in data (KLEMS)
- Model, calibrated
- Make empirical and counterfactual use of model

- No inter-temporal decisions



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- ▶ Role of terms of trade? How do results line up with medium-run changes in terms of trade for these countries?
- ▶ Could discuss your view on closedness vs. openness in more detail.



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- ▶ Could discuss whether model structure (no investment) suggests some restrictions on cross-sector dynamics of these types of capital.
- ▶ Frictions in cross-sector shifts of (types of) capital might partly explain persistent productivity differences.