WBES@20:
Some data-driven lessons

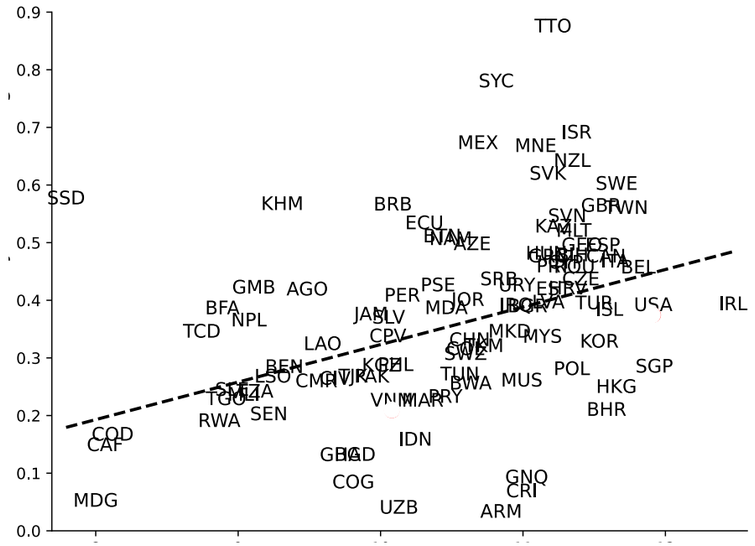
Dave Donaldson, MIT

Congratulations, WBES!

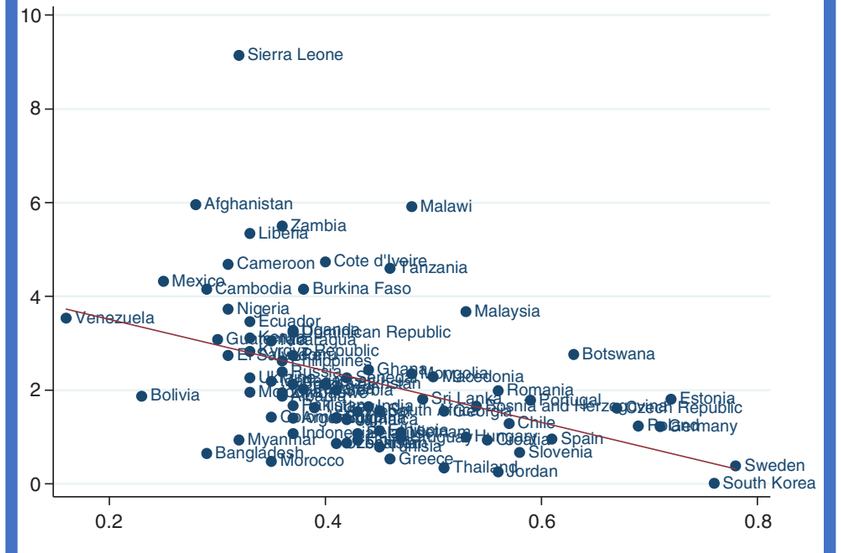
One-of-a-kind resource for studying economies around the world – unique coverage, unique questions, uniquely public access

Huge (and growing) impact on academic research – will illustrate today some findings from just 3 among the 1,300+ WBES-enabled papers…

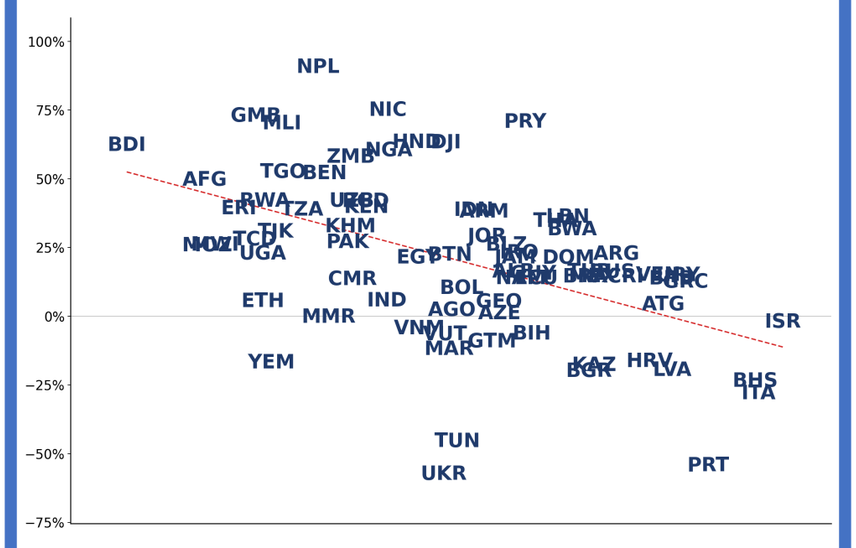
Lesson #1: misallocation matters



Lesson #2: costs of insecurity



Lesson #3: trade's double dividend



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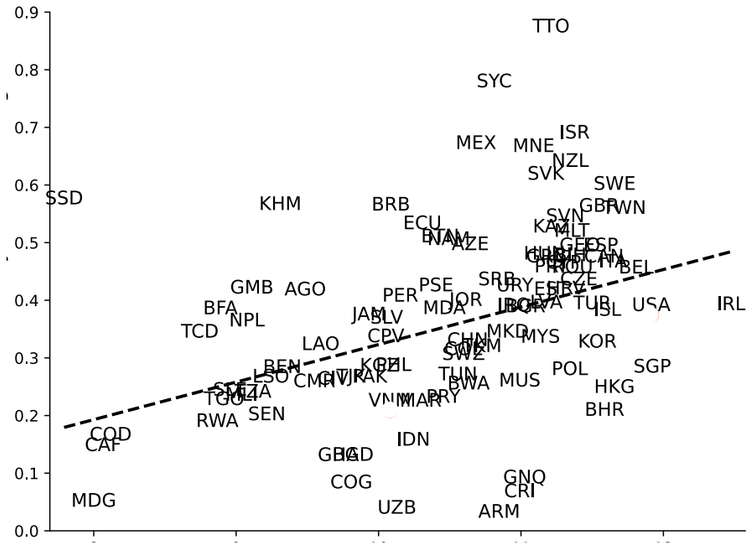

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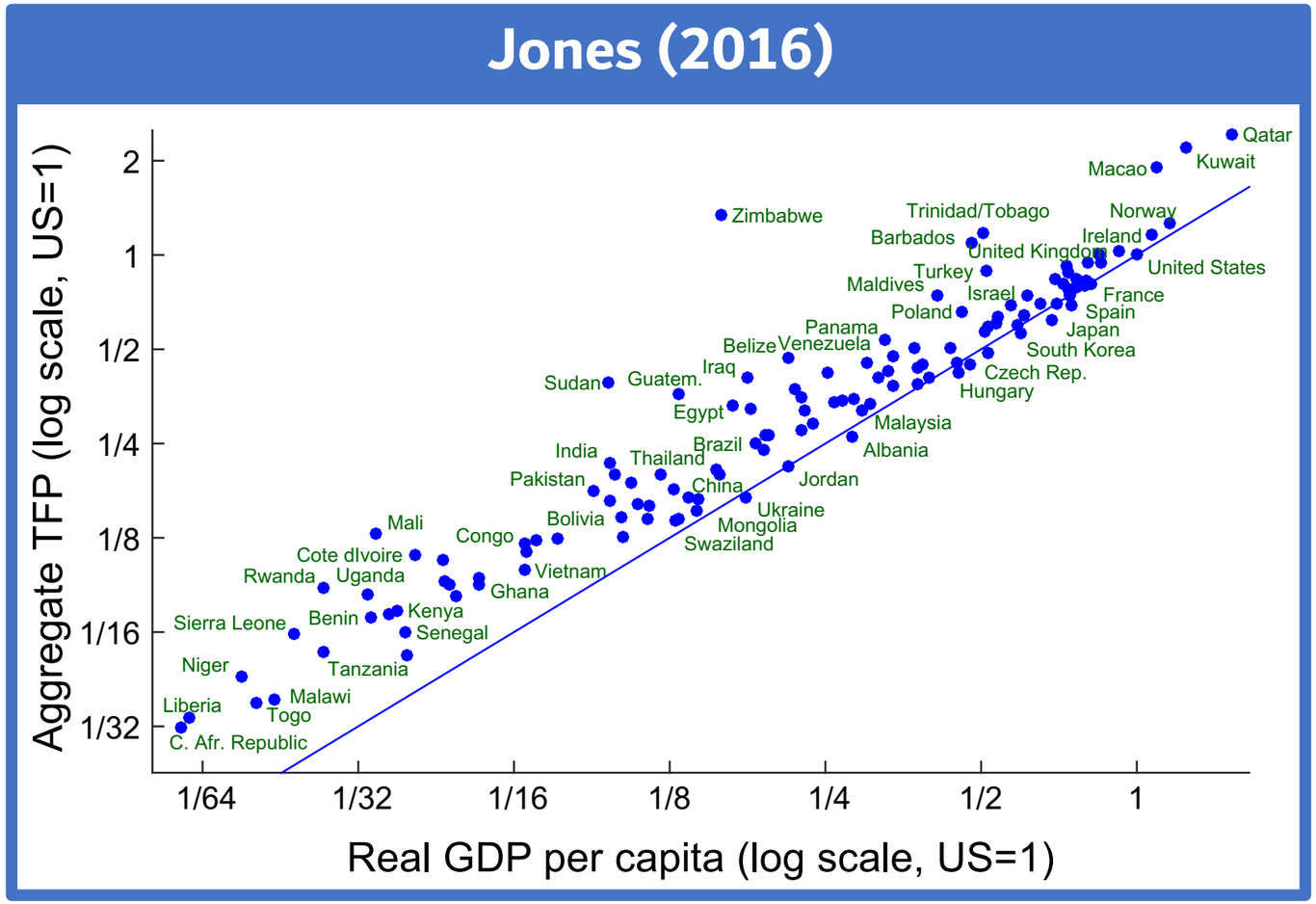
Lesson #3: trade's double dividend

Aggregate productivity (aka "TFP") measures a nation's ability to produce output per unit of resource inputs (human and physical capital)



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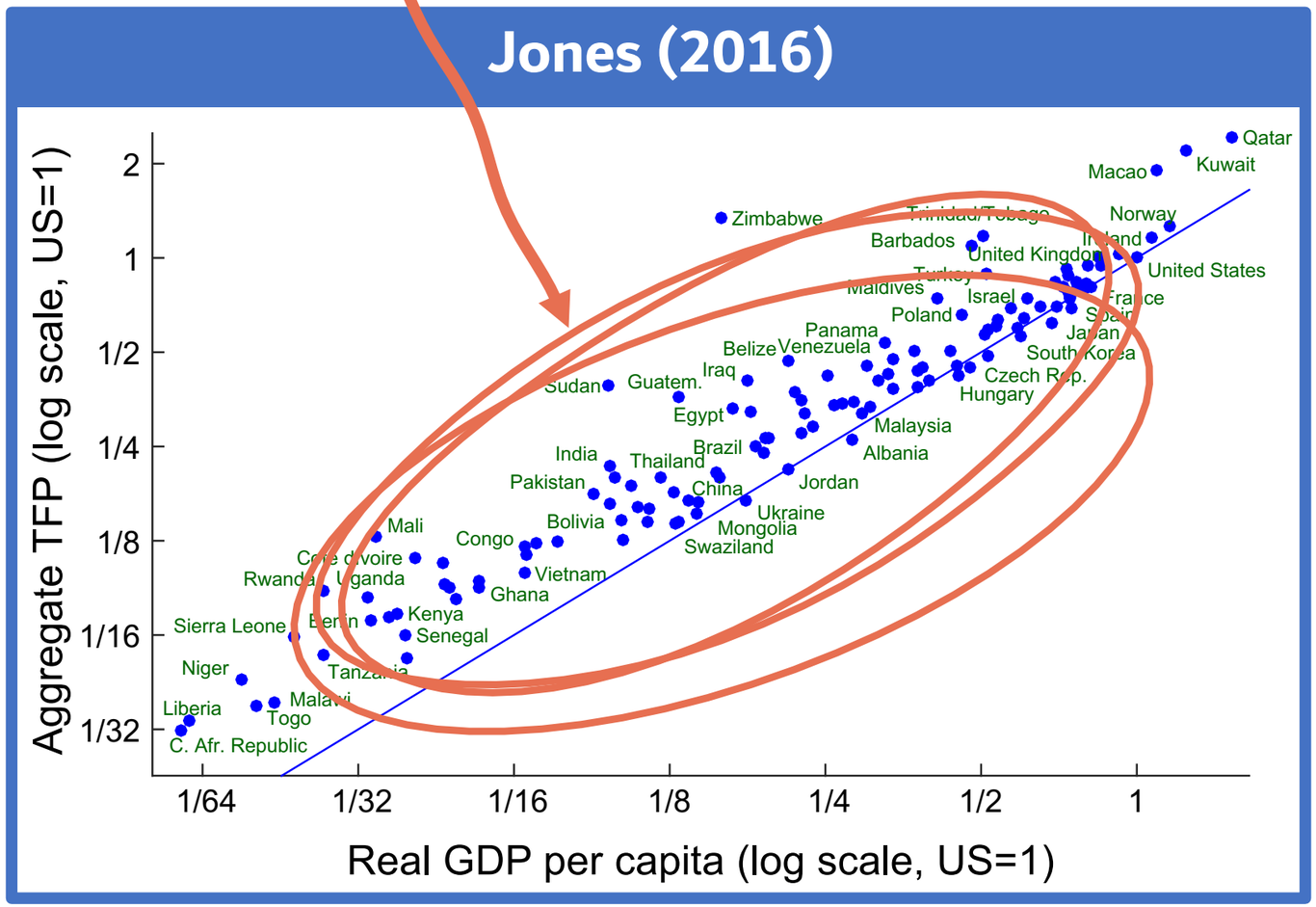
On average, about 70% of under-development is accounted for by low TFP

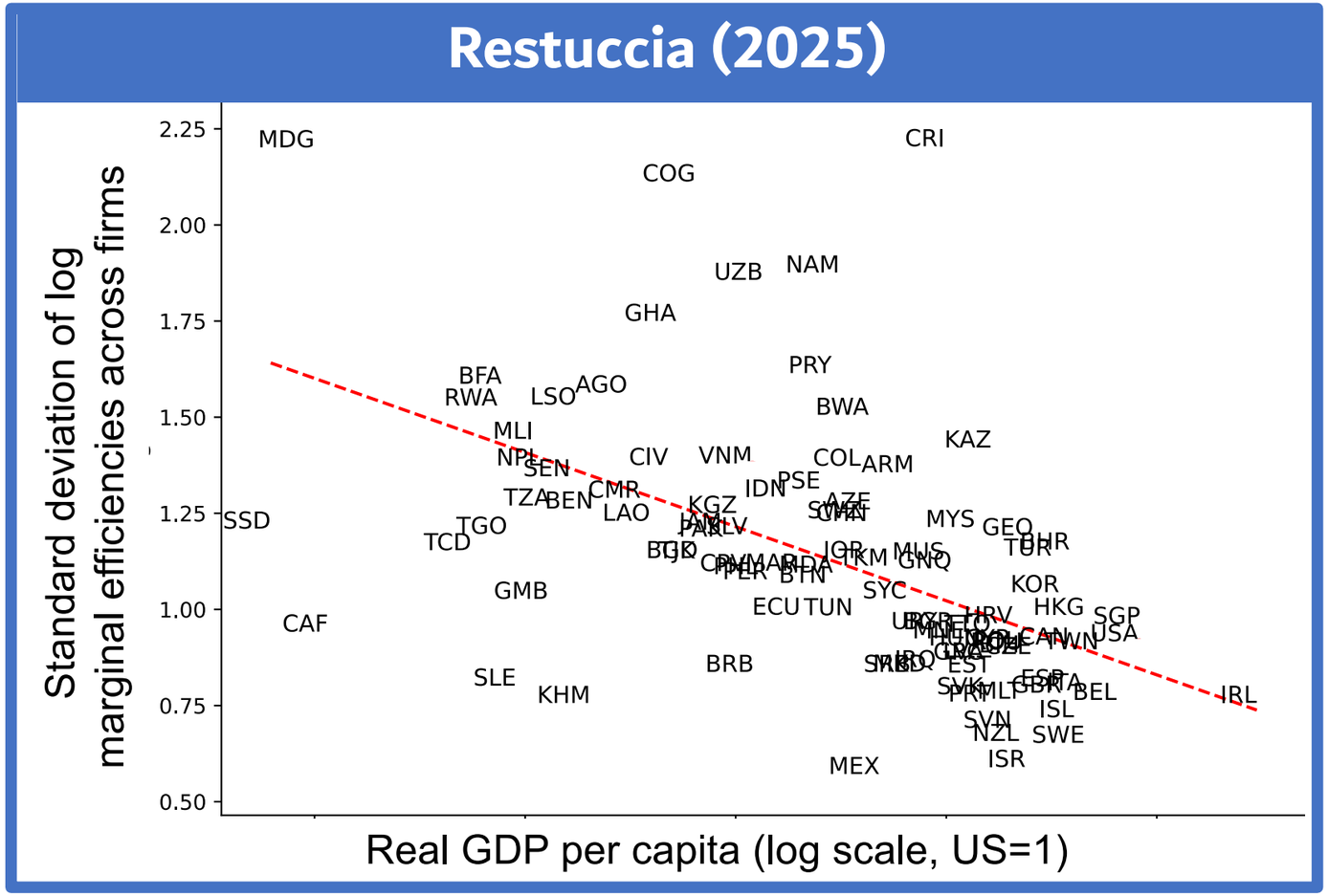


But where does aggregate TFP come from?

One ingredient: allocative efficiency (how efficiently a country uses the firms it has)

Full efficiency requires lack of dispersion in marginal efficiencies across firms

Restuccia (2025) uses WBES firm-level data to measure this dispersion



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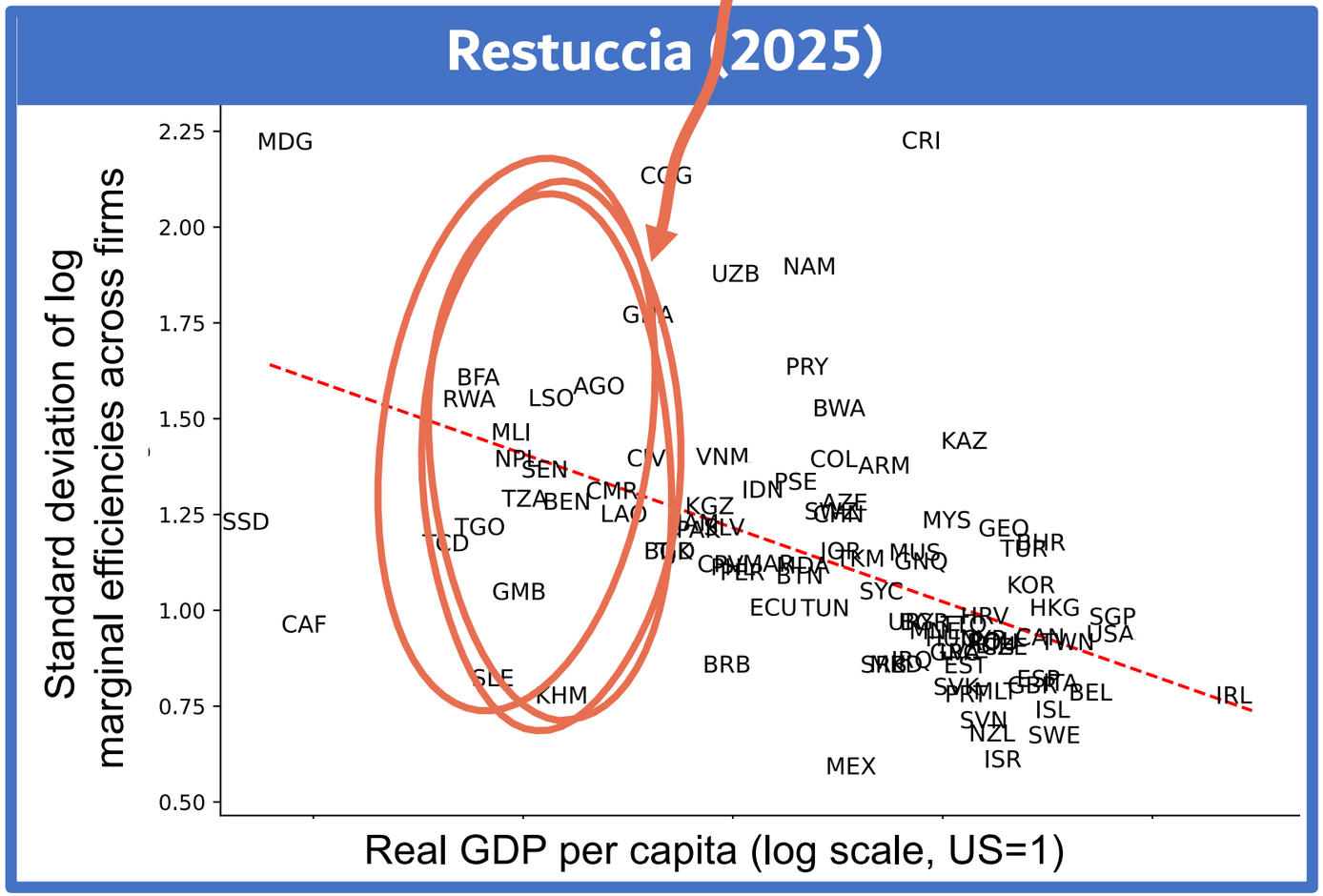
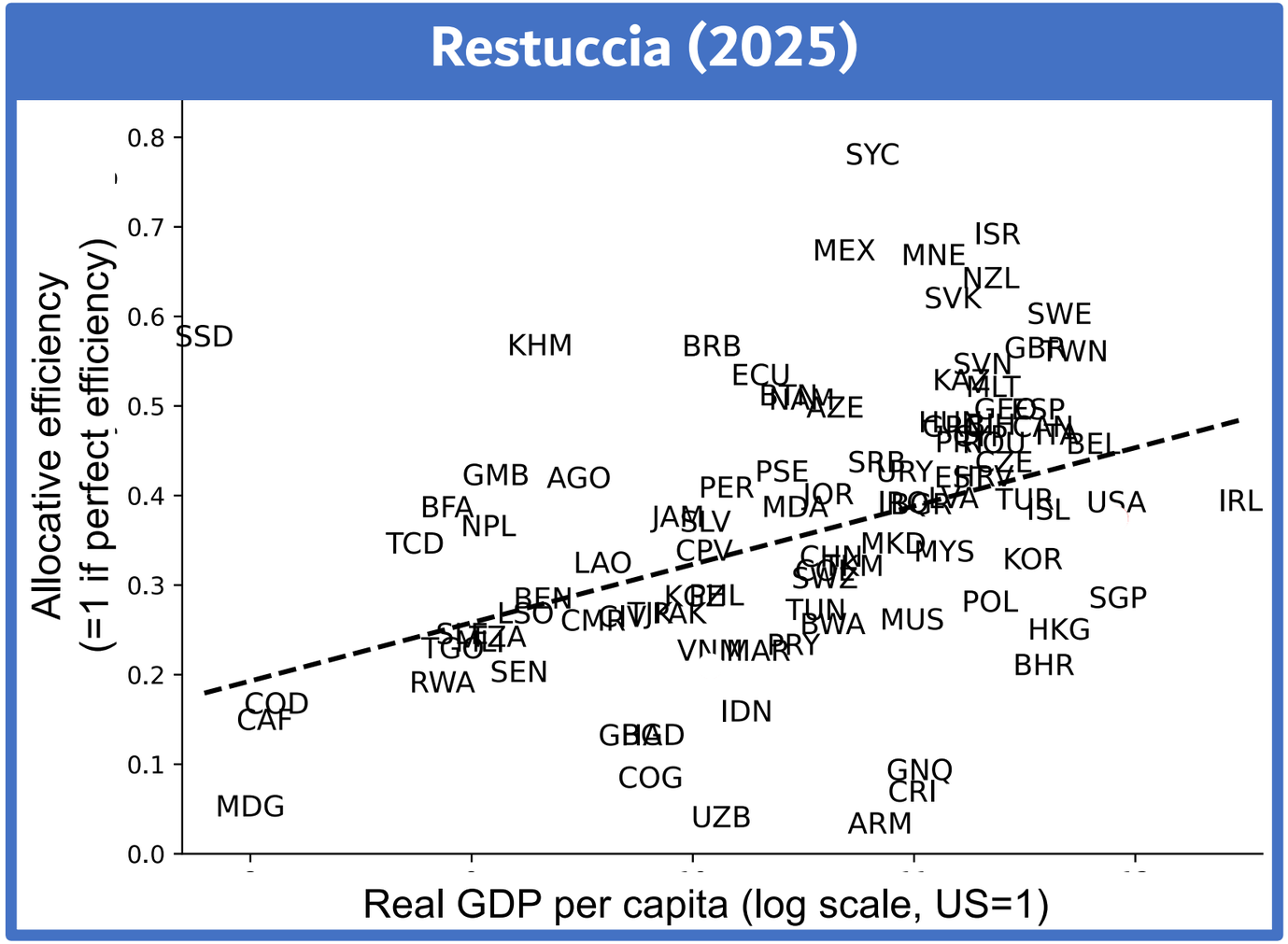
Lower-income countries appear to have more measured dispersion (i.e. greater misallocation of resources)



How strong is the allocative efficiency ingredient in TFP differences around the world?

Restuccia (2025) uses WBES data to measure this too – drawing on methods in Restuccia and Rogerson (2008) and Hsieh and Klenow (2009)



About 25% of cross-country TFP differences can be accounted for by allocative efficiency differences based on these measurements

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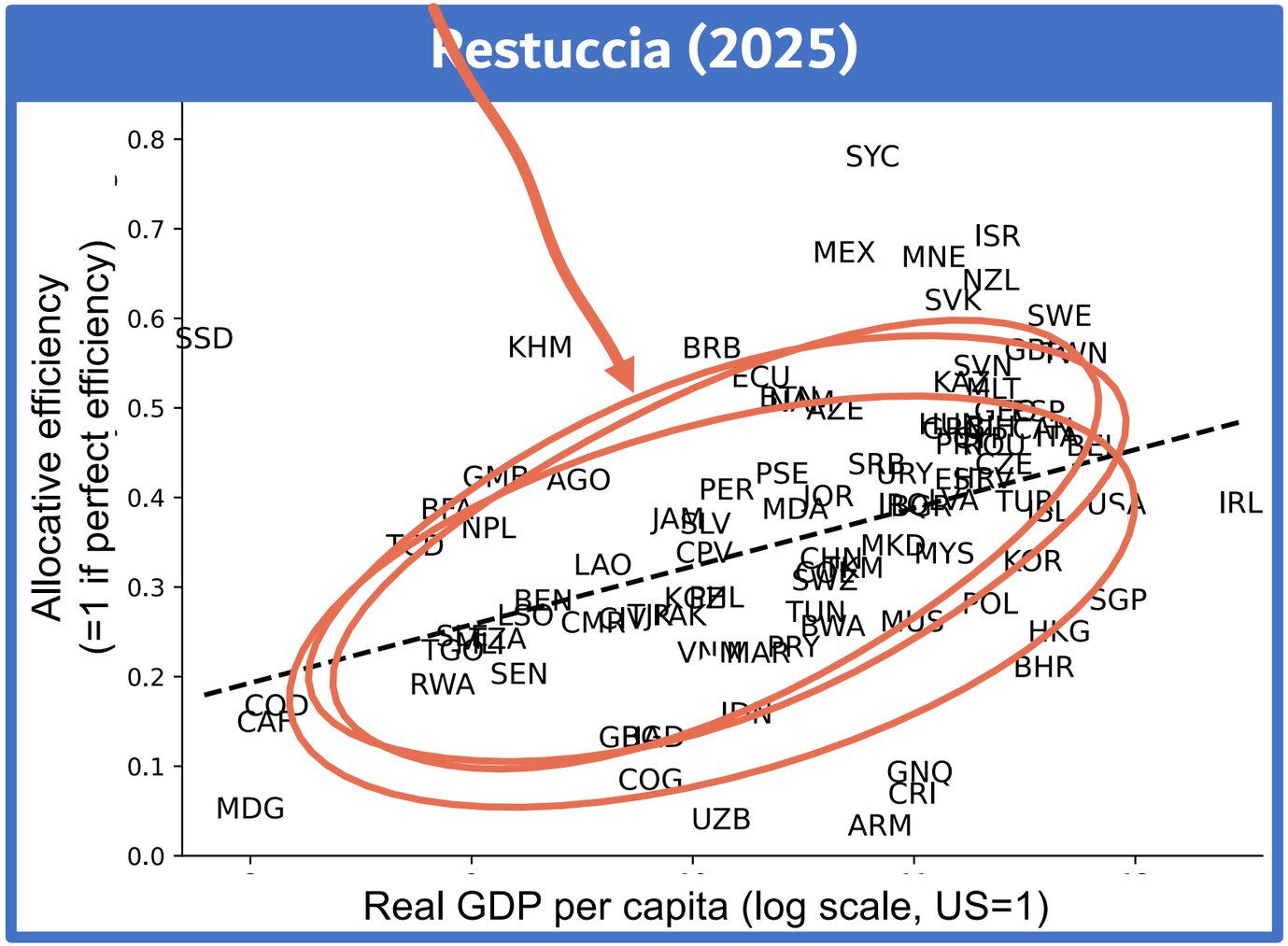

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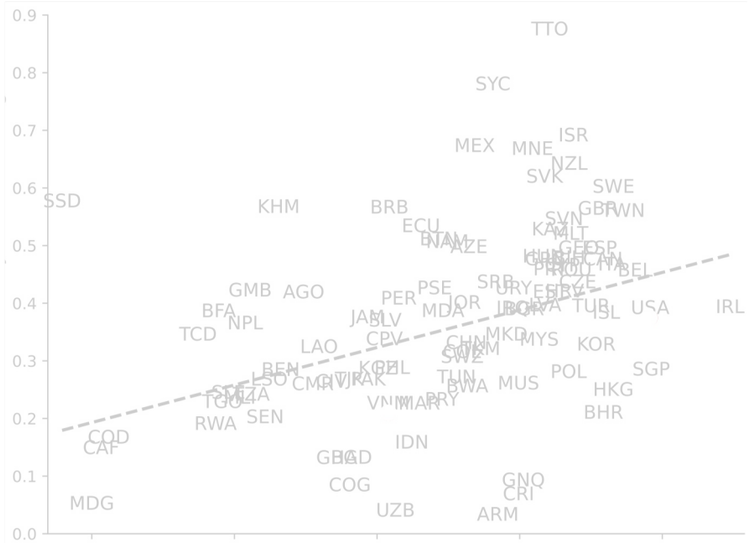

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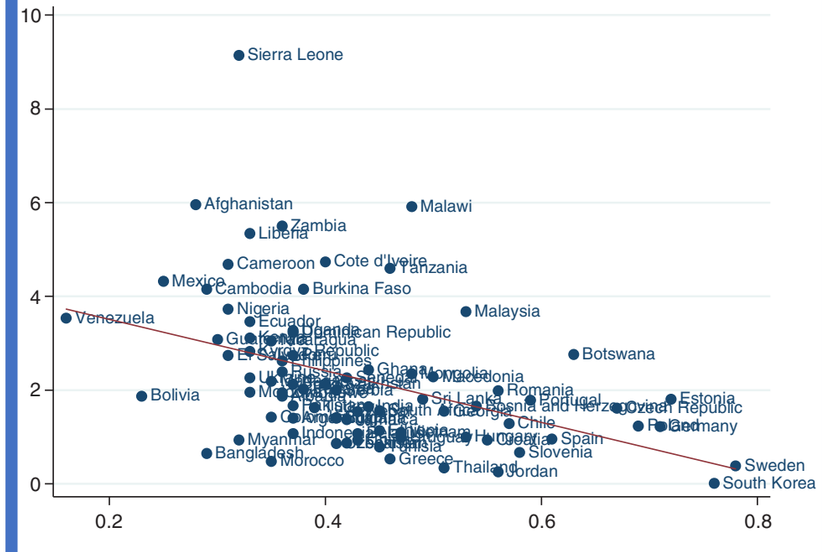
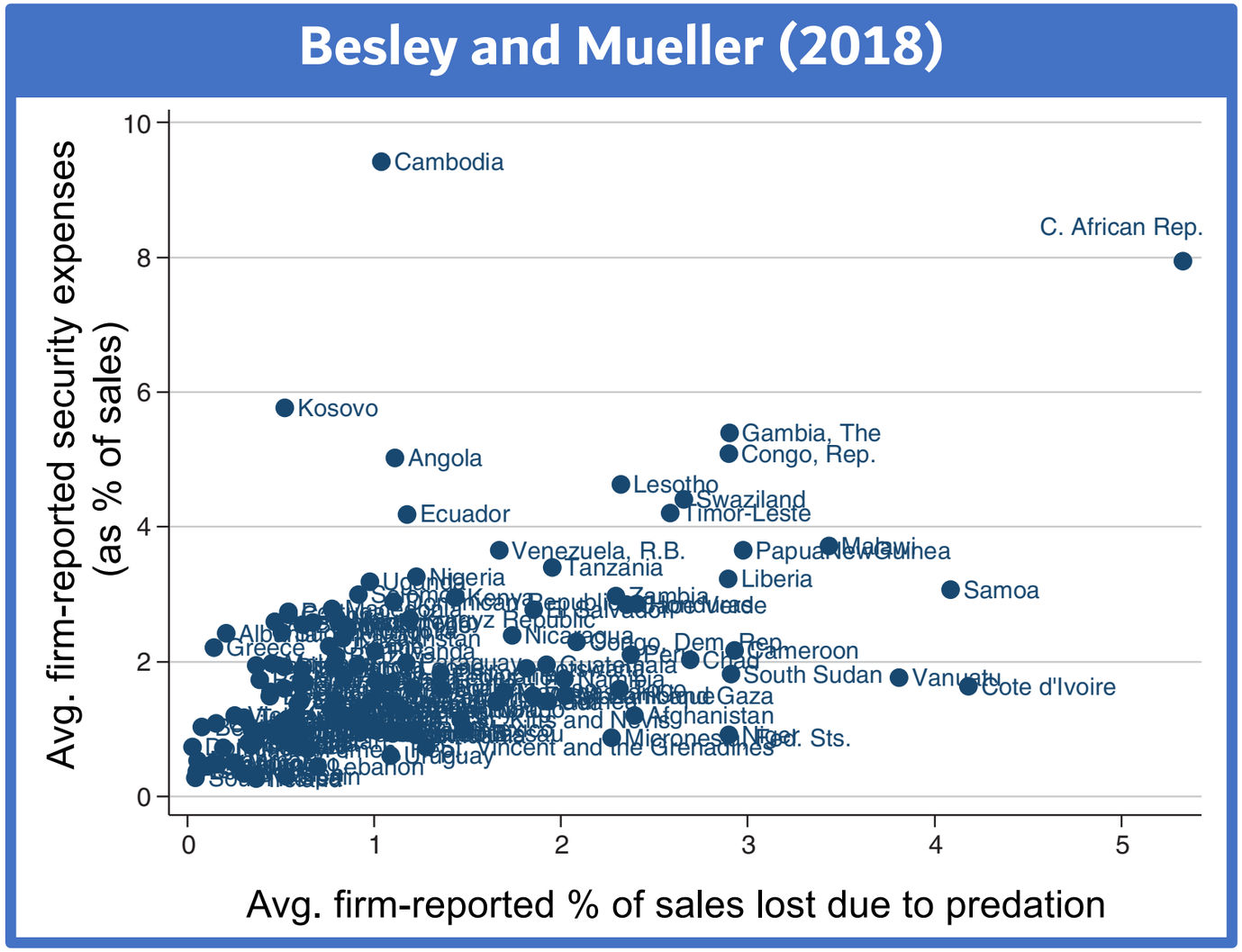


Lesson #3: trade's double dividend

What economic forces might underpin the misallocation seen in Restuccia (2025)?

Besley and Mueller (2018) explore one source: predation and protection

Draw on unique survey questions in WBES asking about firm's business environment



Firms in many countries report widespread predation (despite also investing in protection)

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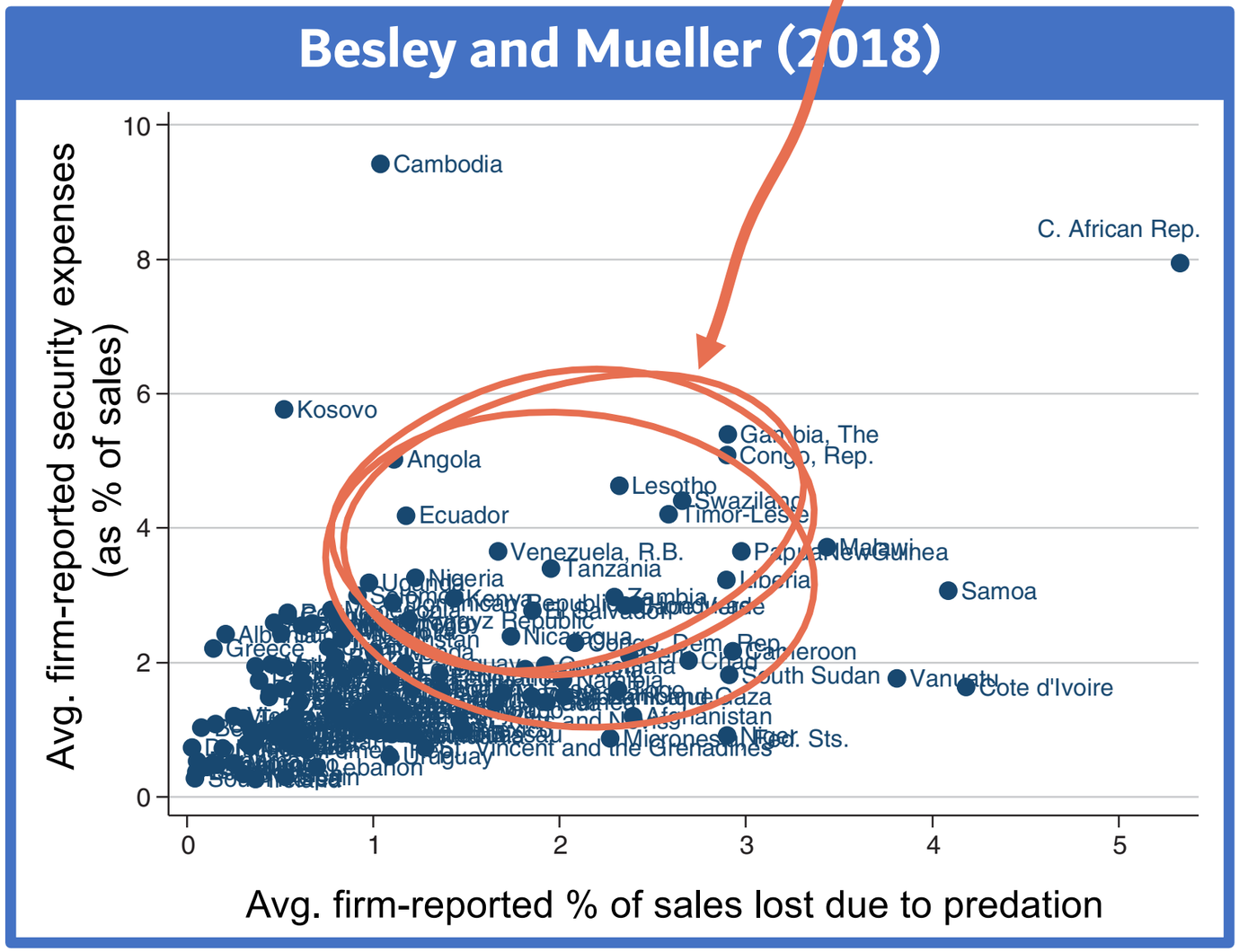

Besley and Mueller (2018) use calibrated model and WBES firm-level data to quantify how much aggregate TFP is reduced by presence of predation

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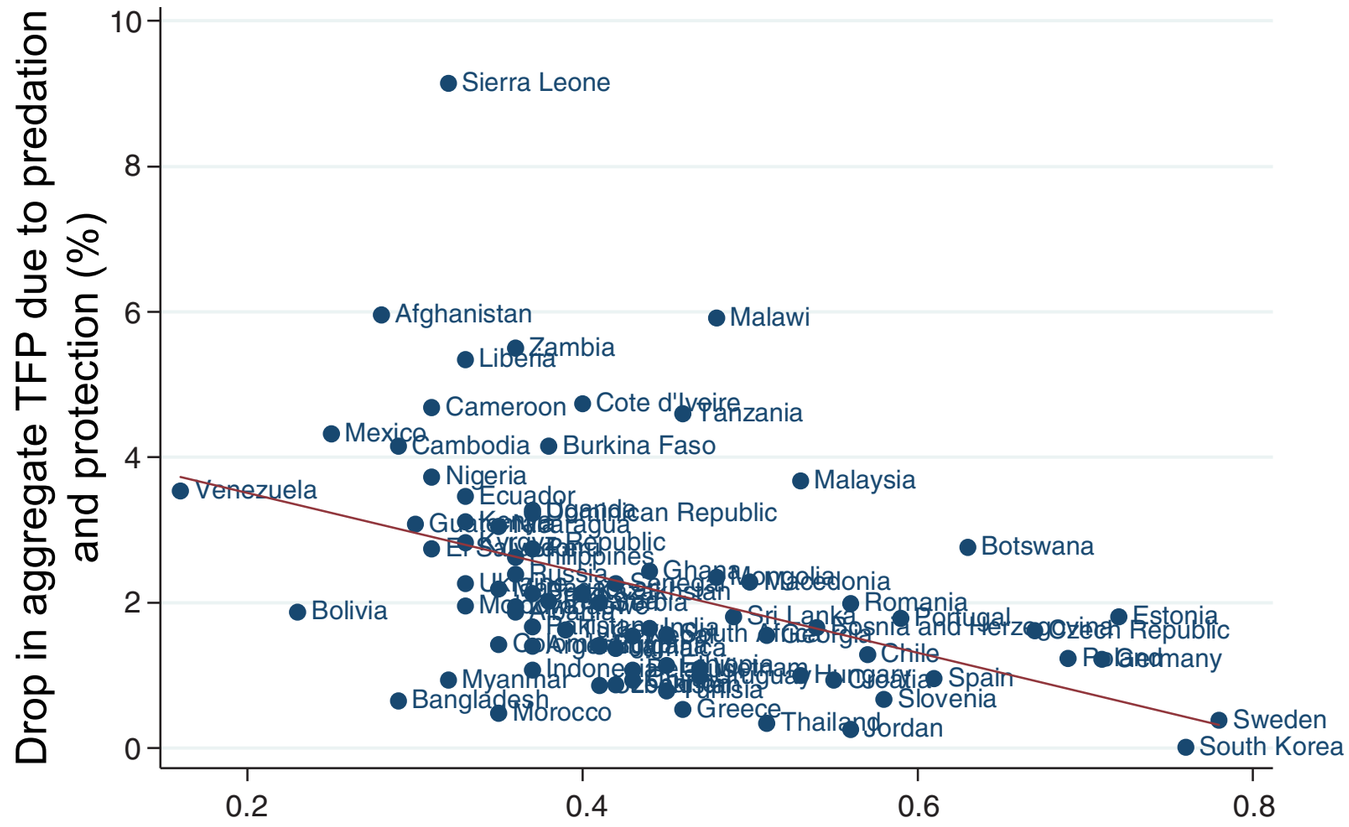

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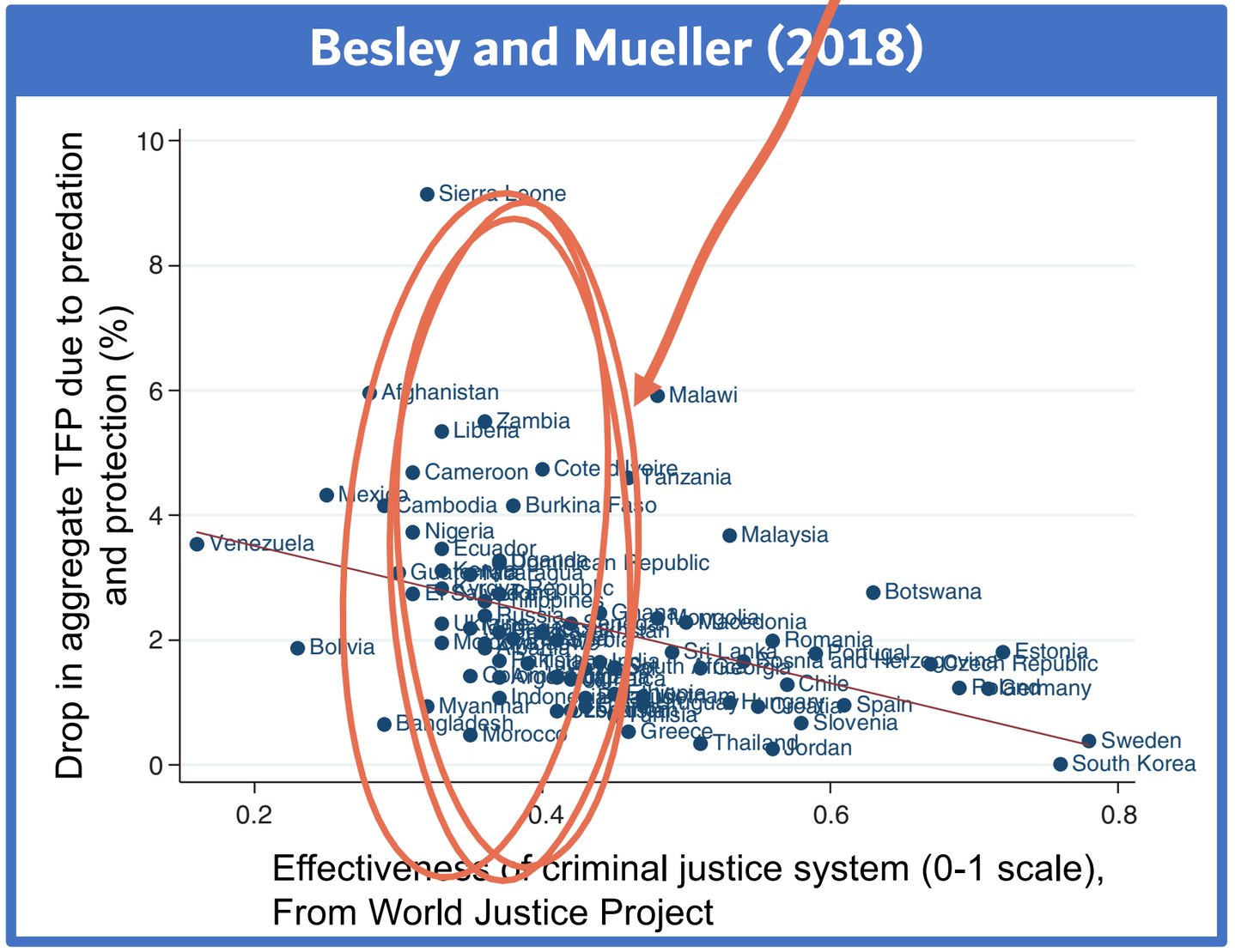
Many countries estimated to have 2-5% lost TFP due to predation



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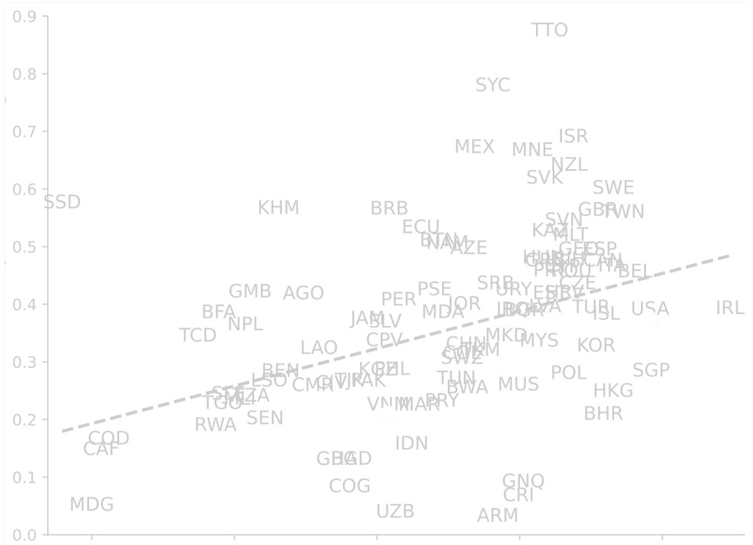

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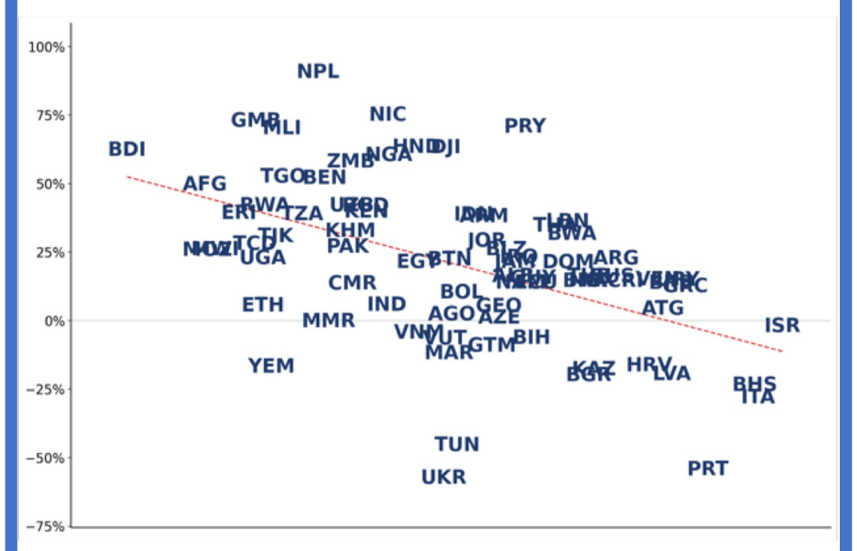
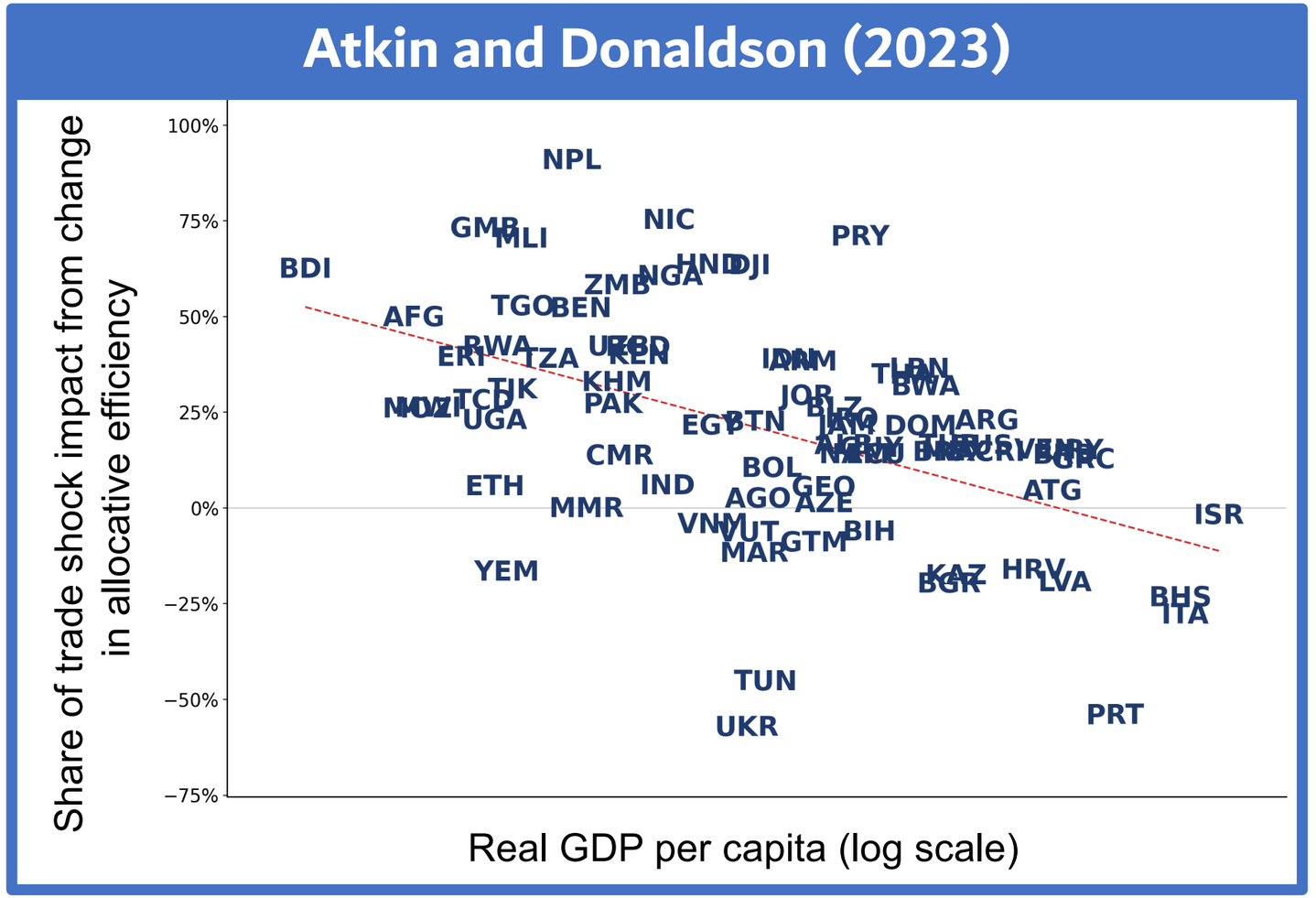


Distorted economies don't just have lower TFP – they can also respond differently to a given external shock if high marginal efficiency firms expand (relatively more) due to shock

Atkin and Donaldson (2023) embed WBES firm-level data inside a global trade model

Then simulate a trade shock (improvement in port facilities) in each country



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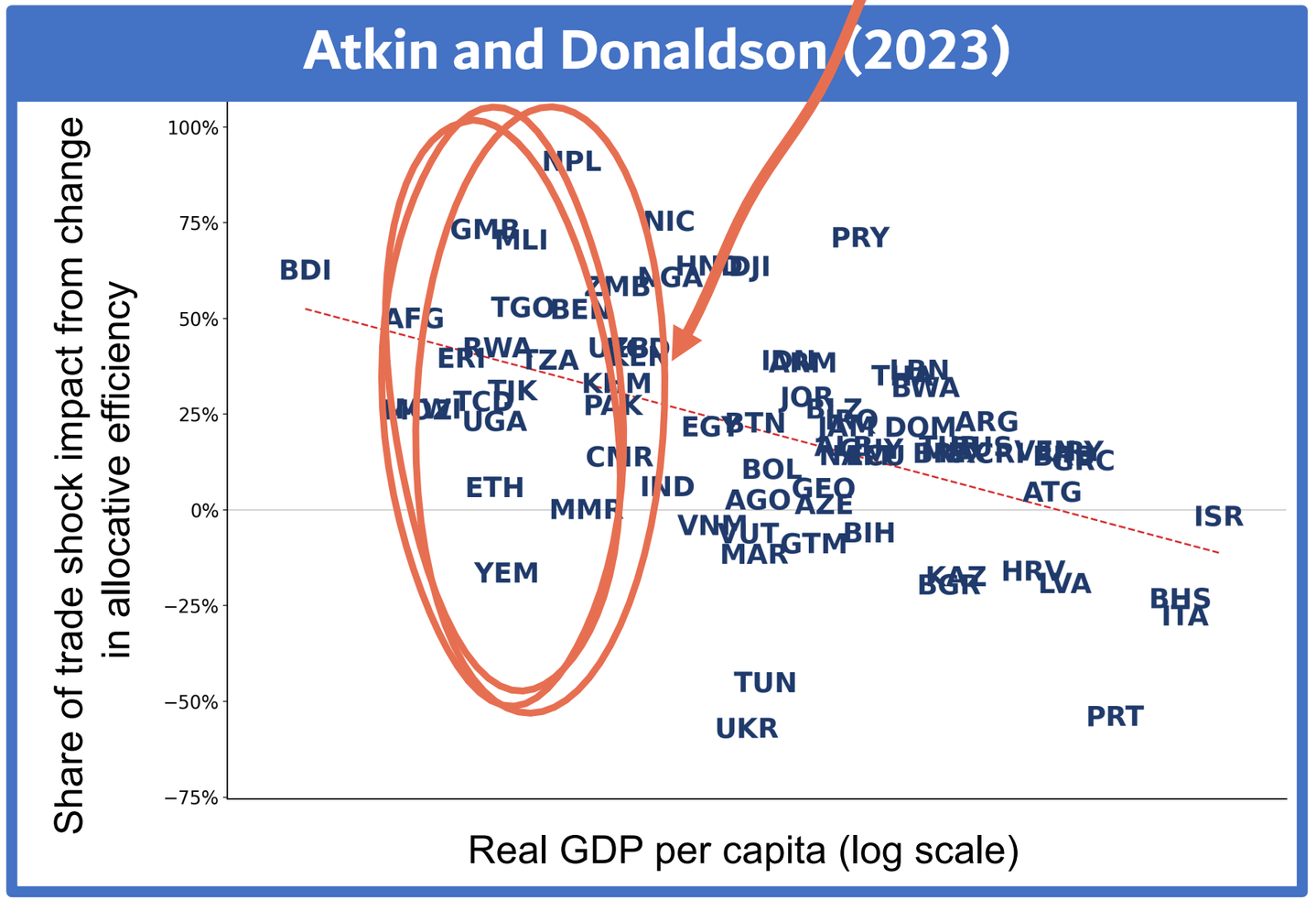
Lower-income countries see extra benefits from same trade shock because high marginal efficiency firms grow relatively more



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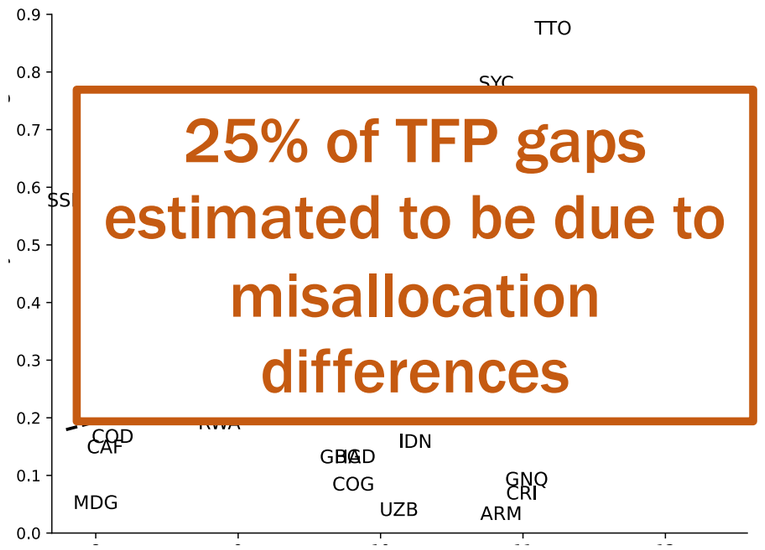

25% of TFP gaps estimated to be due to misallocation differences

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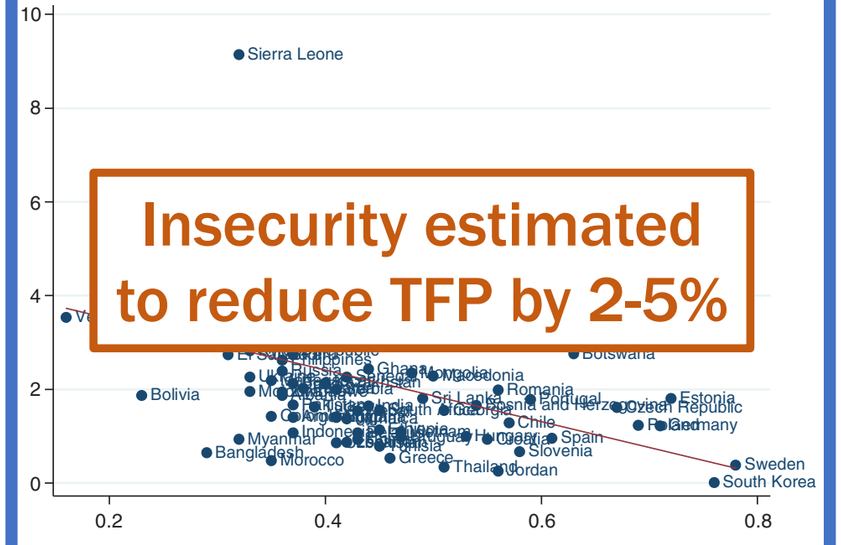

Insecurity estimated to reduce TFP by 2-5%

Lesson #3: trade's double dividend

Lower-income countries estimated to enjoy extra gains from trade

Where next for WBES-enabled research?

Beyond allocative efficiency, other key contributor to TFP is technological change (innovation, adaptation, adoption) – but <u>massive data gaps</u>

Next wave of WBES data will unlock this data challenge around the world