When Protectionism Kills Talent

by Canayaz, Erel, Gurun, Wu

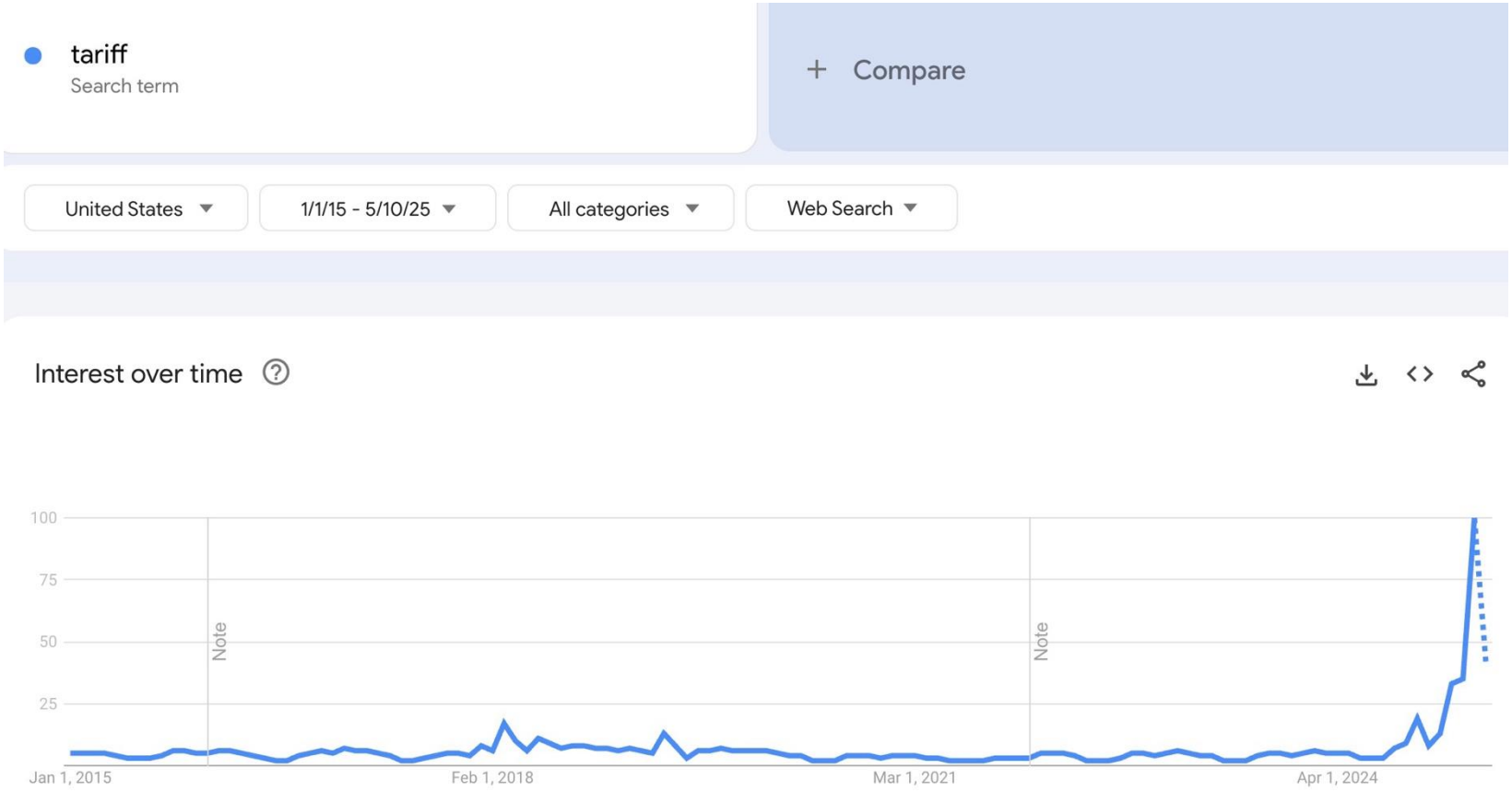
Discussion by

J. Anthony Cookson
(CU Boulder)

What are the effects of protectionism on *talent*?

Highly relevant question

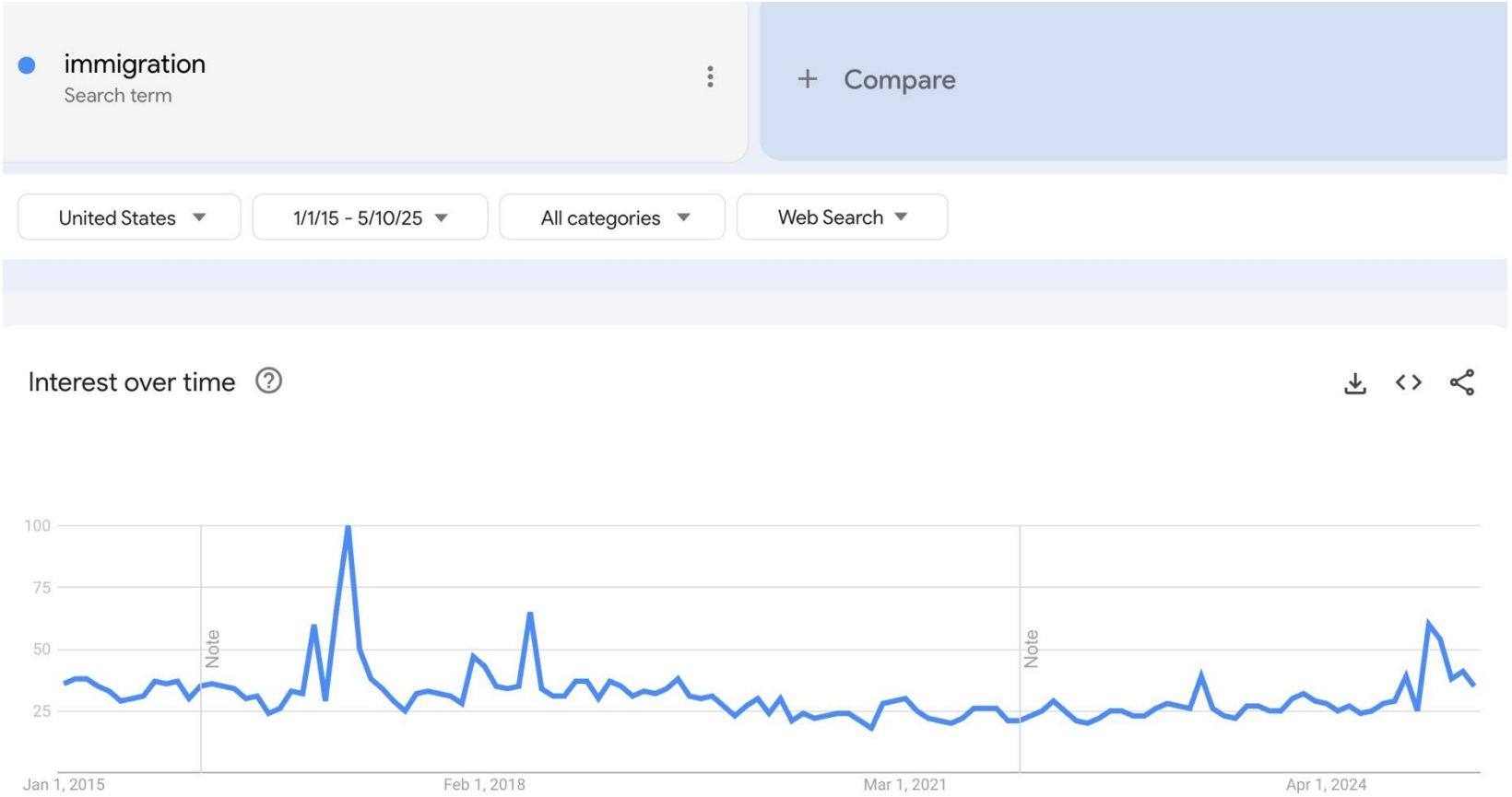
– Even more so than in 2018.



What are the effects of protectionism on *talent*?

Highly relevant question

– Even more so than in 2018… in some ways



Paper's empirical tension

Not obvious how protectionist policies affect employment

- On one hand, they could stimulate US investment.

THE TRUMP EFFECT

Since President Donald J. Trump returned to office, his America First economic policies have sparked trillions of dollars in new investment in U.S. manufacturing, technology, and infrastructure.

Paper's empirical tension

Not obvious how protectionist policies affect employment

- On one hand, they could stimulate US investment.
- On the other hand, **tariffs** engender uncertainty.


STRATEGIES

Baffled by the Trump Tariffs, C.E.O.s Lean on the Word 'Uncertainty'

Paper's empirical tension

Not obvious how protectionist policies affect employment

- On one hand, they could stimulate US investment.
- On the other hand, **tariffs** engender uncertainty.

… and **immigration** restrictions harm investment and ability to hire foreign-born talent.

H-1B hopefuls say they're bracing for the impact of a second Trump term

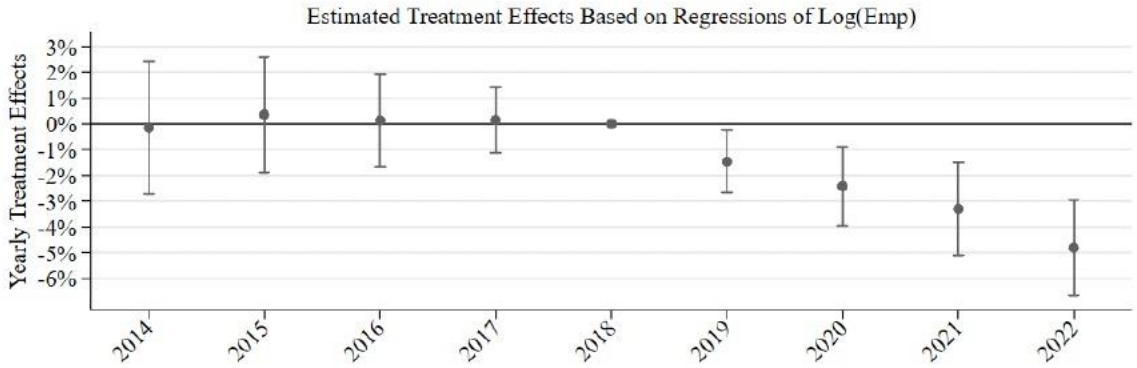
South Asian immigrants hoping to get high skill visas are worried that a second Trump term might kill their shot.

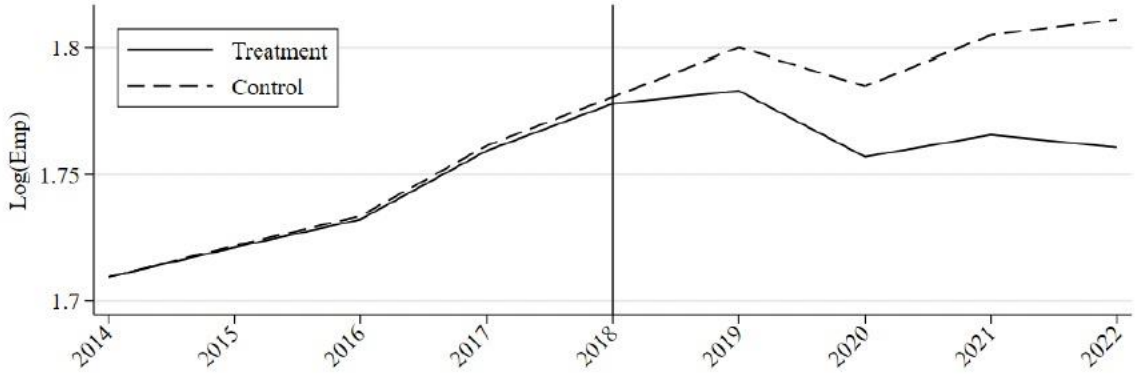
What this paper does

- Studies labor market effects of **2018 "Buy American and Hire American" EO**
  - Focused on the semiconductor industry, an industry disproportionately affected by BAHA.

- Empirical strategy is DiD to compare engineering employment at same firms to other jobs (finance, admin, etc.) in the semiconductor industry.
  - Heterogeneity by … H1-B sponsors, firms reliant on foreign workers,

What this paper finds





Effects driven by

- **Hiring**
- **Entry-level** / junior positions
- Firms with reliance on **foreign workers, H1-Bs**

My take and discussion

Take

- Incredibly relevant
- Tons of robustness; I believe the central findings
- Important implications

Discussion

- Tariffs or Immigration: What is "Protectionism"? Role of Uncertainty?
- Semiconductor Industry
- Some Empirical Thoughts

Comment 1

What is protectionism?

This is a deeper question than it seems.

"Buy American; Hire American" has two kinds of protectionism. Protecting American firms using **tariffs** and Protecting American workers via **immigration** restrictions.

As a policy analysis, these were bundled, but they are different policies.

Comment 1

What is protectionism?

When Protectionism Kills Talent*

Mehmet Canayaz† Isil Erel‡ Umit G. Gurun§ Yufeng Wu¶

May 2, 2025

Abstract

Protectionist policies intended to revitalize US chip manufacturing backfired, ultimately weakening the domestic workforce they aimed to rebuild. Instead of fostering talent growth, these measures diminished hiring for critical science and engineering roles, particularly in entry-level positions and at firms impacted by tariffs. Companies reliant on foreign talent reduced domestic hiring and shifted recruitment to countries with more favorable immigration policies. US protectionism also discouraged students from pursuing chip-related degrees, contracting the domestic talent pipeline. Our conceptual framework shows that high proportions of foreign workers and inelastic labor supply in these occupations contribute to the adverse effects of protectionist policies.

Did the immigration part really "backfire"?

Comment 1

What is protectionism?

Relating to the current environment, it would be helpful to test whether the non-immigration component backfired through the **uncertainty channel**.

Direct impacts of immigration frictions complicate this inference.

- Look at the subsample of non H1-B sponsors.
- Any way to look directly at uncertainty?
- Any variation in exposure to retaliatory tariffs?

Comment 2

Semiconductor industry focus

Paper focuses on semiconductor industry because…

1. Relies heavily on international talent and collaboration
2. Semiconductors have a highly interconnected global supply chain.
3. **Great data**. Semiconductor career trajectories are well covered in the dataset on resumes.

One interpretation: These reasons are to *focus on a setting where there is a strong effect*.

Comment 2

Semiconductor industry focus

Industry studies – like my own work on casinos – often are weaker on external validity.

By its nature, focusing on an industry with a strong effect *weakens* external validity (note: data completeness and institutional detail may overcome this weakness).

Comment 2

Semiconductor industry focus

Suggestions:

1. Write more plainly about this aspect as a weakness (leads to lack of representativeness).

2. Write *more* about countervailing strengths of the semiconductor setting.
    1. **Skills measurement** is better anchored when focusing on one industry.
    2. **The "New IO" critique** (from the late 1980s) of cross-industry studies – within industry measurement and identification is more precise; clearer, more coherent economics about participation in this industry.
    3. And, of course, the data strength.

Comment *3*
Empirical Questions

- The main results are based on a difference-in-differences test around 2018 BAHA executive order.
  - Treated are engineers
  - Control are "other jobs" within the same firm.
  - Level of observation is firm-job type-year.

Comment 3
Empirical Questions

- The main results are based on a difference-in-differences test around 2018 BAHA executive order.
  - Treated are engineers
  - Control are "other jobs" within the same firm.
  - Level of observation is firm-job type-year.
  - Outcome is log(1+employment)

Comment 3
Empirical Questions

- The main results are based on a difference-in-differences test around 2018 BAHA executive order.
  - Treated are engineers
  - Control are "other jobs" within the same firm.
  - Level of observation is firm-job type-year.
  - Outcome is log(1+employment)

2018. In Appendix Table B6, we confirm that our results hold after using Poisson regression analysis.[16]

Comment 3
Empirical Questions

I can't move on…

Panel A: Analyses of Chip Manufacturing Workforce				
	$\text{Log}(\text{Emp}_{i,j,t})$	$\text{Log}(\text{Hiring}_{i,j,t})$	$\text{Log}(\text{Separation}_{i,j,t})$	$\text{Log}(\text{Turnover}_{i,j,t})$
	(1)	(2)	(3)	(4)
$\text{Treated}_j \times \text{Post}_t$	-0.03***	-0.09***	-0.04***	-0.09***
	(-3.45)	(-8.93)	(-4.19)	(-7.73)
Firm × Job Category FE	Yes	Yes	Yes	Yes
Firm × Year FE	Yes	Yes	Yes	Yes
Observations	68,949	68,949	68,949	68,949
R-squared	0.975	0.874	0.863	0.889

Table 5.
Main table

	$\text{Log}(\text{Emp}_{i,j,t})$	$\text{Log}(\text{Hiring}_{i,j,t})$	$\text{Log}(\text{Separation}_{i,j,t})$	$\text{Log}(\text{Turnover}_{i,j,t})$
	(1)	(2)	(3)	(4)
$\text{Treated}_j \times \text{Post}_t$	-0.07***	-0.11***	-0.09*	-0.11**
	(-3.24)	(-2.67)	(-1.67)	(-2.56)
Firm × Job Category FE	Yes	Yes	Yes	Yes
Firm × Year FE	Yes	Yes	Yes	Yes
Observations	68,598	68,598	68,598	68,598

Table B6.
Poisson (not log)

Comment 3

Empirical Questions

I can't move on when it is Poisson™

Panel A: Analyses of Chip Manufacturing Workforce				
	$\text{Log}(\text{Emp}_{i,j,t})$	$\text{Log}(\text{Hiring}_{i,j,t})$	$\text{Log}(\text{Separation}_{i,j,t})$	$\text{Log}(\text{Turnover}_{i,j,t})$
	(1)	(2)	(3)	(4)
$\text{Treated}_j \times \text{Post}_t$	-0.03***	-0.09***	-0.04***	-0.09***
	(-3.45)	(-8.93)	(-4.19)	(-7.73)
Firm × Job Category FE	Yes	Yes	Yes	Yes
Firm × Year FE	Yes	Yes	Yes	Yes
Observations	68,949	68,949	68,949	68,949
R-squared	0.975	0.874	0.863	0.889

	$\text{Log}(\text{Emp}_{i,j,t})$	$\text{Log}(\text{Hiring}_{i,j,t})$	$\text{Log}(\text{Separation}_{i,j,t})$	$\text{Log}(\text{Turnover}_{i,j,t})$
	(1)	(2)	(3)	(4)
$\text{Treated}_j \times \text{Post}_t$	-0.07***	-0.11***	-0.09*	-0.11**
	(-3.24)	(-2.67)	(-1.67)	(-2.56)
Firm × Job Category FE	Yes	Yes	Yes	Yes
Firm × Year FE	Yes	Yes	Yes	Yes
Observations	68,598	68,598	68,598	68,598

Effects are **2x as big** in employment and separation

Cohn et al say the bias is worse with smaller counts…

Comment 3

Empirical Questions

I can't move on when it is Poisson™

Panel A: US Chip Manufacturer Workforce

	N	Mean	Median	SD	P5	P95
Log(Emp$_{i,j,t}$)	68,949	1.76	1.39	1.47	0.00	4.86
Log(Hiring$_{i,j,t}$)	68,949	0.62	0.00	0.96	0.00	2.89
Log(Separation$_{i,j,t}$)	68,949	0.59	0.00	0.92	0.00	2.77
Log(Turnover$_{i,j,t}$)	68,949	0.88	0.69	1.16	0.00	3.50
Hiring Rate$_{i,j,t}$	56,497	0.16	0.00	0.38	0.00	0.83
Separation Rate$_{i,j,t}$	56,497	0.12	0.00	0.22	0.00	0.50
Net Hiring Rate$_{i,j,t}$	56,497	0.04	0.00	0.38	-0.33	0.50
Turnover Rate$_{i,j,t}$	56,497	0.28	0.14	0.49	0.00	1.00
Log(FirstJobEmp$_{i,j,t}$)	68,949	0.95	0.69	1.23	0.00	3.50
Log(ExprEmp$_{i,j,t}$)	68,949	1.56	1.10	1.52	0.00	4.60
Log(JunPosEmp$_{i,j,t}$)	68,949	1.45	1.10	1.50	0.00	4.47
Log(MidSenPosEmp$_{i,j,t}$)	68,949	1.04	0.69	1.29	0.00	3.66

Cohn et al say the bias is worse with smaller counts…

So, bigger deal for splits and interactions

Yet, the only result redone in Poisson is the main one. Why not start with Poisson?

Comment *3*
Empirical Suggestions

I can't move on when it is Poisson™

A couple of interrelated thoughts:

1. We should care about magnitudes (2x the magnitude doesn't "confirm" the main result).
2. log1plus with low counts doesn't give the elasticity we think it does.
3. Poisson with HDFE does not suffer from incidental parameter problem; also very fast to estimate, so no reason to do log1plus.
4. *This complaint was first developed in the international trade literature, so it may save heartache to do it fully first.*

Summing up

- Very interesting project on a first-order important issue in today's society.
- The core results are sound and the muchoRobustness is convincing.
- My core comments are about where to place these results, how to interpret them, and avoiding pet issues.
- Looking forward to the next draft.