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Abstract

This paper investigates how layoffs due to import competition affect new and existing businesses at a highly local level. To conduct our analysis, we construct measures of import-related layoffs at the ZIP code level and combine these with ZIP code-level establishment counts. We find that import-related layoffs in manufacturing have large negative effects on the survival rate of existing establishments and the entry rate of new establishments in manufacturing, non-manufacturing, and even non-offshoreable sectors. These negative effects are larger in the longer-term than in the near-term. Additionally, these negative impacts spillover into nearby ZIP codes but that the effects diminish over space. Finally, we find evidence that agglomeration economies associated with more densely populated areas appear to mitigate the negative impacts.

JEL Codes: R12, R30, F23

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