ECONOMIES OF SCALE AND THE SIZE OF EXPORTERS

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Abstract
How important are economies of scale in exporting? We argue that firm size cannot be the main determinant of export status if a model is to be consistent with the observed number and size of exporters. Instead, we need a lot of variation independent of firm size to reconcile the model with the data. We show the augmented model also has markedly different implications regarding the margin of adjustment in the event of a trade liberalization: Most of the adjustment is through the intensive margin and productivity gains due to reallocation are halved. (JEL: F12)

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