

A Search and Learning Model of Export Dynamics

(joint paper with J. Eaton, M. Eslava, D. Jenkins, C. J. Krizan)

Abstract:

Customs record data reveal a number of patterns in relationships Colombian firms have with their U.S. buyers. We interpret these patterns in terms of a continuous-time model in which heterogeneous sellers search for buyers in a market. Success in selling to a buyer reveals information about the appeal of the seller's product in the market, affecting the incentive to search for more buyers. We calibrate the model to replicate quantitatively a number of features of the data. The model allows us quantify several types of trade costs, including the search costs of identifying potential clients and the costs of maintaining business relationships with existing clients. It also allows us to estimate the effect of previous exporting activity on the costs of meeting new clients, and to characterize the cumulative effects of learning on firms' search intensities. Finally, we use our fitted model to explore the effects of these trade costs and learning effects on aggregate export dynamics.