

How Exporters Grow: Prices vs Quantities

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Abstract

We document export exit patterns and the dynamics of export revenue, prices and quantities following export entry. Because we observe firms' export activities in multiple export markets, we can use a fixed effects strategy to control for marginal cost. This allows us to distinguish between demand and efficiency-based explanations in the literature for how successful firms grow. Our findings provide support for demand-accumulation-based theories of expansion post-export entry. However we do not find evidence that this occurs through firms initially charging low prices to attract customers, and then raising prices as they mature in a market.