QUESTIONS - CHAPTER 17 HETEROGENOUS FIRMS

Question 17.1
Table 17.1 reports ‘exporter premia’. Apparently, exporting firms in general have about 12 per cent higher value added per worker but only 3 per cent higher total factor productivity. Explain possible sources of this difference.

Question 17.2
Suppose the economic conditions in Mirandia are perfectly described by the Melitz model of section 17.3 and the ex ante distribution function is uniform from 0 to 5. Moreover, assume that in autarky only 80 per cent of the entrepreneurs who invest in setting up a new firm actually succeed.

17.2A What is the autarky cut-off productivity level?
17.2B What is the ex ante average productivity? What is the ex post average productivity in autarky?

The government of Mirandia opens up international trade possibilities with Marconia. As a consequence, only 60 per cent of the entrepreneurs who invest in setting up a new firm actually succeed. Of the viable firms only one-third become exporters.

17.2C What is the trade cut-off productivity level?
17.2D What is the export cut-off productivity level?
17.2E What is the ex post average productivity with trade?
17.2F What is the average productivity for exporting firms?
17.2G What do you consider the best indicator of the new source of gains from trade explained in this chapter using (a combination of) your answers to the questions above?

Question 17.3
Suppose we repeat all parts of question 17.2 with the same basic information, but this time the ex ante distribution is symmetrically bell-shaped on the support from 0 to 5. Speculate how your answers to each sub-question changes. Explain.