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Essays on Firm Learning and Trade Dynamics
(Dissertation)

International trade is rife with uncertainty. Firms have imperfect information about foreign demand, as well as the quality and reliability of foreign inputs. Whereas previous work has shown that firms can overcome this uncertainty through repeated interactions and learning from their own experiences, I study how firms learn from their compatriots prior to entering a market themselves.

In my job market paper, *Learning, Externalities, and Export Dynamics*, I present and test a model of exporting with learning externalities and demand uncertainty. In the model, incumbent firms passively reveal noisy signals about a shared component of demand. Potential entrants face a signal-extraction problem in identifying that shared component of demand and update their beliefs according to Bayes' Rule. Using transaction-level Chilean export data, I estimate these signals in disaggregate product-markets and find that a one standard deviation increase in the average signal revealed by incumbents in a particular market increases entry rates by 3.8%, first-year sales by 9.8%, and export spell duration by 0.8% for other firms. Various specifications and cuts of the data provide further evidence supporting the hypothesis that the results are driven by learning externalities, as opposed to other potential mechanisms.

In the second chapter, *Input Sourcing and Learning from Others*, I use Chilean import data to show that a similar learning process occurs for importing firms. Controlling for the export capacity of each country-sector, I find that importing firms are more likely to source an input from a country when there are more Chilean firms buying the same input from that country. Under uncertainty about imported input quality, suppliers develop reputations and importing firms learn from the actions of their compatriots in making their sourcing decisions.

In the third chapter, *Import-Export Complementarity*, I plan to estimate the effect of importing from a country on the probability of a firm beginning to export to that country and vice versa. The results from the first two chapters – firms' export and import decisions are affected by the actions of their compatriots through learning externalities – provide a rationale for instrumenting the initial export or import entry with the presence of incumbent Chilean firms in those markets.

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