



## Department of Economics

Economics Workshop Series at Caulfield

~DATE & TIME~

11 November 2009 (Wed)  
11:00am-12:30pm

~VENUE~

**Building H, Level 4, Room  
H 4.87 Caulfield Campus  
MONASH UNIVERSITY**



For any enquiries, please  
contact the seminar  
coordinator  
James Ang at:  
[James.Ang@buseco.monash.edu.au](mailto:James.Ang@buseco.monash.edu.au)

You are cordially invited to attend the following seminar:

### **DO FALLING ICEBERG COSTS EXPLAIN RECENT US EXPORT GROWTH?**

**by Horag Choi**

**Abstract:** We study the rise in the share of US manufactured output exported from 1987 to 2002 through the lens of a monopolistically competitive model with heterogeneous producers and fixed costs of exporting. Using the model, we infer that iceberg costs fell from approximately 73 percent in 1987 to nearly 54 percent in 2002. We then take a version of the model calibrated to match the employment size distribution and characteristic of exporters in 1987 and use it to measure the export growth due to the decline in iceberg costs. Contrary to common convention, we find that exports should have actually grown 62 percent more than they did. The model over-predicts export growth in large part because it misses the shift in manufacturing to relatively small establishments that did not invest in becoming exporters. In contrast to the theory, in this period, employment was largely reallocated away from very large establishments, those with more than 2500 employees, towards very small manufacturing establishments, those with less than 100 employees. We also find that trade integration from falling trade costs played a very small role in the contraction of manufacturing employment over this period.

#### Brief Biography of Speaker

**Affiliation:** Department of Economics, University of Auckland

**Education:** PhD Ohio State (2003)

**Homepage:** <http://www.hchoi.net/index.htm>

#### *Research interests:*

- Open Economy Macroeconomics; International Trade / Finance; Macroeconomics

#### *Selected publications:*

- “Endogenous Discounting, the World Saving Glut and the U.S. Current Account” (with N. C. Mark and D. Sul) *Journal of International Economics* 75(1), 2008.
- “Do Sunk Costs of Exporting Matter for Net Export Dynamics?” (with G. Alessandria) *Quarterly Journal of Economics* 122(1), 2007.