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Determinants of Firm-level Domestic Sales and Exports with Spillovers: Evidence from China*

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Abstract: This paper studies the determinants of firm-level revenues, as a measure of the performance of firms in China's domestic and export markets. The analysis of the determinants of the aforementioned outcomes calls for a mixed linear-nonlinear econometric approach. The paper proposes specifying a system of equations which is inspired by Basmann's work and recent theoretical work in international economics and conducts comparative static analyses regarding the role of exogenous shocks to the system to flesh out the relative importance of transmissions across outcomes.

Key Words: Spatial econometrics; Spillovers; Panel-data econometrics; Nonlinear systems; Firm-level sales; Chinese firms

JEL Classification: C23; C31; D24; L65

*This paper is prepared in honor of Bob Basmann's contributions in theoretical and applied econometrics. Basmann's work on systems of equations in structural model estimation (Basmann, R.L., 1957, A generalized classical method of linear estimation of coefficients in a structural equation. *Econometrica* 25, 77-83; Basmann, R.L., 1959, The computation of generalized classical estimates of coefficients in a structural equation. *Econometrica* 27, 72-81) and on observational equivalence issues in testing for causation (Basmann, R.L., 1988, Causality tests and observationally equivalent representations of econometric models, *Journal of Econometrics*, 39(1-2), 69-104) are guiding lights on performing rigorous estimation of systems of equations. We gratefully acknowledge the editor Daniel Slottje and numerous helpful comments by two anonymous reviewers.

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