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# Exporters and Shocks

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**Abstract**

We use micro data for Ireland to estimate the responses of export entry, export exit, and the export revenue of incumbent exporters to changes in tariffs and real exchange rates. Entry and revenue are much more responsive to tariffs than they are to real exchange rates. Our estimates translate into an elasticity of aggregate exports with respect to tariff changes of between -1.5 and -3.5 on impact, and between -2 and -5 in the long run. Comparable elasticities for real exchange rate changes are around 0.5 on impact, and between 0.6 and 0.8 in the long run. These estimates are consistent with estimates in the literature based on aggregate data. They provide further evidence that workhorse models of international trade and business cycles which impose identical responses must be modified in order to answer policy questions touching on both international trade and the current account.

*Keywords:* Exporters, Tariffs, Real Exchange Rates, International Elasticity Puzzle

## 1. Introduction

We use customs and product-level production data for Ireland to estimate the responses of export entry, exit, and the export revenue of incumbent exporters to

This work makes use of data from the Central Statistics Office, Ireland, which is CSO copyright. The possibility for controlled access to confidential micro data sets on the premises of the CSO is provided for in the Statistics Act 1993. The use of CSO data in this work does not imply the endorsement of the CSO in relation to the interpretation or analysis of the data. This work uses research data sets which may not exactly reproduce statistical aggregates published by the CSO. We thank the staff of the CSO for making this project possible. Expert research assistance was provided by Jackie Chan, Adrian Corcoran and Matt Shapiro. Doireann Fitzgerald is grateful for financial support from the NSF under grant number 0647850. Stefanie Haller is grateful for financial support from the IRC under the grant titled "Exporters and Shocks." This paper has benefited from extensive discussions with Yaniv Yedid-Levi. We are also grateful for comments and suggestions from Costas Arkolakis, Kim Ruhl and Jim Tybout. An online appendix to the paper is available at www.doireann.com. The views expressed herein are those of the authors and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

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