

Authors

David Atkin
Massachusetts Institute of Technology

Amit Khandelwal
Columbia University

Adam Osman
University of Illinois at Urbana-Champaign

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EXPORTING AND FIRM PERFORMANCE: EVIDENCE FROM A RANDOMIZED EXPERIMENT*

DAVID ATKIN
AMIT K. KHANDELWAL
ADAM OSMAN

We conduct a randomized experiment that generates exogenous variation in the access to foreign markets for rug producers in Egypt. Combined with detailed survey data, we causally identify the impact of exporting on firm performance. Treatment firms report 16–26% higher profits and exhibit large improvements in quality alongside reductions in output per hour relative to control firms. These findings do not simply reflect firms being offered higher margins to

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Exporting and Firm Performance: Evidence from a Randomized Trial

We conduct a randomized experiment that generates exogenous variation in the access to foreign markets for rug producers in Egypt. Combined with detailed survey data, we causally identify the impact of exporting on firm performance. Treatment firms report 16–26% higher profits and exhibit large improvements in quality alongside reductions in output per hour relative to control firms. These findings do not simply reflect firms being offered higher margins to manufacture high-quality products that take longer to produce. Instead, we find evidence of learning-by-exporting whereby exporting improves technical efficiency. First,

treatment firms have higher productivity and quality after controlling for rug specifications. Second, when asked to produce an identical domestic rug using the same inputs and same capital equipment, treatment firms produce higher quality rugs despite no difference in production time. Third, treatment firms exhibit learning curves over time. Finally, we document knowledge transfers with quality increasing most along the specific dimensions that the knowledge pertained to.

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