



International Finance Discussion Papers: Growth-Led Exports: Is Variety the Spice of Trade (Paperback)

By Joseph E Gagnon

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****.Fast-growing countries tend to experience rapid export growth with little secular change in their terms of trade. This contradicts most international macroeconomic models, which predict that productivity and labor supply shocks can affect exports only through changes in the terms of trade. This paper generalizes the monopolistic competition trade model of Helpman and Krugman (1985), providing a basis for growth-led exports without declining terms of trade. The key mechanism behind this result is that fast-growing countries are able to develop new varieties of products that can be exported without pushing down the prices of existing products. There is strong support for the new model in long-run export growth of many countries in the post-war era. These results have major implications for the analysis of supply shocks in international macroeconomic models.



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