



You are cordially invited to

UCLouvain Economics Seminar

On Thursday March 30, 2017, from 12:45 to 14:00
Doyen 22, Place des Doyens, 1

Arnaud Costinot
(MIT)

Will give a presentation on

The More We Die, The More We Sell? A Simple Test of the Home-Market Effect

Abstract:

The home-market effect, first hypothesized by Linder (1961) and later formalized by Krugman (1980), is the idea that countries with larger demand for some products at home tend to have larger sales of the same products abroad. In this paper, we develop a simple test of the home-market effect using detailed drug sales data from the global pharmaceutical industry. The core of our empirical strategy is the observation that a country's exogenous demographic composition can be used a predictor of the diseases that its inhabitants are most likely to die from and, in turn, the drugs that they are most likely to demand. We find that the correlation between predicted home demand and sales abroad is positive and greater than the correlation between predicted home demand and purchases from abroad. In short, countries tend to be net sellers of the drugs that they demand the most, as predicted by Linder (1961) and Krugman (1980).

(Joint paper with D. Donaldson, M. Kyle and H. Williams)

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