

WTI Brown Bag Seminar

16th May 2022, 12:30 - 13:30pm (Hybrid Event)



Venue: Anna Nussbaum Auditorium, World Trade Institute, University of Bern
Hallerstrasse 6, 3012 Bern, Switzerland

*To join virtually via Zoom, please use this [link](#) or with Meeting ID: 841 8788 9393 (Passcode:253963)

General Equilibrium Effects in Space: Theory and Measurement

Abstract:

We propose a methodology to recover the general equilibrium impact of an economic shock by aggregating its impact across regions. Theoretically, it is sufficient to measure: (i) each region's "shift-share" exposure capturing shocks to its excess labor demand, and (ii) the reduced-form effect that this exposure has directly on that region, and indirectly on other regions through spatial links. Empirically, we combine our theoretical reduced-form representation with exogenous observed shocks to estimate parameters regulating direct and indirect spatial effects, and formally test the effects predicted by spatial quantitative models. Finally, we apply our methodology to study the impact of the "China shock" on U.S. Commuting Zones. We uncover a striking disconnect: common assumptions in existing quantitative spatial frameworks yield direct and indirect effects that are too small compared to their empirical counterparts and, thus, are rejected by our test. In contrast, we estimate larger direct effects and reinforcing indirect effects, which imply larger employment losses from the China shock, both on average and differentially across regions.

Please check his personal website to see the complete working paper: <https://arkolakis.com/research/>



Biography of the speaker:

Prof. Dr. Costas Arkolakis is a professor of economics at Yale University. His work focuses on International Trade, Spatial Economics, Macroeconomics, and Industrial Organization. He is also an editor of the Journal of International Economics and on the editorial board of the Journal of Economic Literature and American Economic Journal Micro. He has published in high-ranked economic journals such as the American Economic Review, Quarterly Journal of Economics, and the Journal of Political Economy.

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