

Estimating the Effects of Globalization

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Universitat Pompeu Fabra
Campus Ciutadella


CREI ^R

Centre de Recerca
en Economia Internacional

Previous Crei Lectures in Macroeconomics:

- 2022** Iván Werning (Massachusetts Institute of Tecnology),
Optimal Currency Areas: A modern view
- 2018** Gita Gopinath (Harvard University),
Dominant Currency Paradigm
- 2016** Mark Aguiar (Princeton University),
The Economics of Sovereign Debt and Default
- 2014** Nicholas Bloom (Stanford University),
The Macroeconomics of Uncertainty
- 2012** Pol Antràs (Harvard University),
Contracts and the Global Organization of Production
- 2010** Francesco Caselli (London School of Economics),
Differences in Technologies Across Time and Space
- 2008** Robert Shimer (University of Chicago),
Labor Markets and Business Cycles


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CREI Lectures in Macroeconomics

The Centre de Recerca en Economia Internacional (CREI) is a research centre sponsored by Universitat Pompeu Fabra (UPF) and Generalitat de Catalunya. It is located on the main UPF campus in Barcelona.

The CREI Lectures in Macroeconomics is a series of biennial lectures, with support from Princeton University Press. They are given by a “young senior scholar”, who has recently made a major, focused contribution to macroeconomics or international economics. The lectures will provide a high-level summary of recent work that has already had a large impact on the profession. Princeton University Press has agreed to publish a series of CREI Lectures in Macroeconomics.

Estimating the Effects of Globalization

Modern economics is more data-driven than ever before. Work on core questions of international trade – How large are the benefits? How equally are they shared? Can trade wars be won? – is no exception. But how can economists combine the strengths of both theory and data to provide credible answers to questions like these? These lectures will discuss new approaches that draw on recent work with Rodrigo Adao (Chicago) and Arnaud Costinot (MIT).

Lecture 1 Gains from trade

Why do countries trade and how much are they affected by it? This lecture will describe a new empirical approach to answering these questions that is grounded in the observation that, while what countries actually trade are goods and services, for many questions one can equivalently study the lower-dimensional “reduced” problem of countries trading the embodied services of their countries’ factors of production.

Lecture 2 Trade and inequality

How does openness to international trade affect earnings inequality within countries? In this lecture we will cover a novel decomposition of trade’s unequal impacts into export-based and import-based channels that can be mapped to available microdata on the factors of production that individuals own. We illustrate the approach with an application using administrative tax microdata from Ecuador.

Lecture 3 How (not) to win a trade war

When a country raises its tariffs, and foreign partners retaliate, do its citizens benefit? Economists regularly use theoretical models, combined with estimates of relevant causal responses, to answer questions like this. But are those answers believable? How could we know? This lecture will describe a new procedure that economists can use for testing their models, where the test is specifically designed around the question the model hopes to answer. An application to the US-China trade war illustrates this method in practice.

Background Papers:

- Adao, Rodrigo, Arnaud Costinot, and Dave Donaldson. 2017. “Nonparametric counterfactual predictions in neoclassical models of international trade.” *American Economic Review* 107(3): 633-689.
- Adao, Rodrigo, Paul Carrillo, Arnaud Costinot, Dave Donaldson, and Dina Pomeranz. 2022. “Imports, exports, and earnings inequality: Measures of exposure and estimates of incidence.” *The Quarterly Journal of Economics* 137(3): 1553-1614.
- Adao, Rodrigo, Arnaud Costinot, and Dave Donaldson. 2024. “Putting quantitative models to the test: An application to the US-China trade war. NBER working paper no. 31321.

Schedule

December 10th, 12:45 – 14:00 Sala Polivalent (24.S018)

December 11th, 12:45 – 14:00 Sala Polivalent (24.S018)

December 12th, 12:45 – 14:00 Sala Polivalent (24.S018)

Dave Donaldson

Dave Donaldson is the Class of 1949 Professor of Economics in the Economics Department at the Massachusetts Institute of Technology. A native of Toronto, Canada, he obtained an undergraduate degree in Physics from Oxford University and a PhD in Economics from the London School of Economics. His research focuses on trade, both international and intranational, with applications in the fields of International Economics, Development Economics, Urban Economics, Economic History, Environmental Economics, and Agricultural Economics. He has studied, among other topics, the welfare and inequality effects of market integration, the impact of improvements in transportation infrastructure, how trade can mitigate and exacerbate the effects of climate change, and how economists can quantify market failures and the interventions (such as industrial policy) that attempt to fix them. He was awarded the 2017 John Bates Clark Medal as well as an Alfred P. Sloan Research Fellowship and several grants from the National Science Foundation. He has served as a co-editor at *Econometrica* and *the American Economic Journal: Applied Economics*, and is a fellow of the Econometric Society and a member of the American Academy of Arts and Sciences..