Spillovers through Supply Chains

Thursday, 7 November 2019, 2 PM

Seminar Room, Department of Economics and Management, Via Inama 5, Trento.

Speaker:

- **Jordan J. Norris** – Aarhus University

Abstract

Over the past decade, there has been a surge in using local labor market variation to inform macroeconomic questions. Although it offers the promise of sharper identification, only relative local treatment effects are typically identified, whereas it is the absolute local treatment effects that are relevant for policy. We demonstrate theoretically that the fundamental challenge in recovering absolute local treatment effects from relative local treatment effects is spatial interdependence. We present an approximate solution to this and develop an empirical framework to implement it. This is made feasible using a transactional level dataset on international trade. We construct exogenous shocks to a firm by exploiting a beneficial consequence of spatial interdependence: local shocks in economically distant firms can be used to instrument changes in economically close firms.

*The paper is co-authored with Caleb Kwon (Harvard Business School)*