Seth Kingery
University of Michigan

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Dissertation Abstract

Examined Assumptions: Three Essays on International Economics

***Chapter 1*: "Radiating Trade: Creating Gravity through Spatial Geometry" (*Job Market Paper*)**

This paper introduces a novel method of modeling the role of distance in trade models. Instead of creating gravity through model-specific and other "implied" costs, I create a simple abstraction of agents' search process that produces gravity as a latent feature of spatial geometry. I then show how this simple model can be combined with more standard models, to produce gravity-fitting models more consistent with observed trade costs. Then I find a testable implication of this abstracted search process deriving from the geometry of a sphere. Finally, I show that this spherically adjusted model fits country-level trade-flow data extremely well; better, even, than the standard inverse distance relationship.

***Chapter 2*: "Trade in Elasticity: Does Goods-Specific Wealth Elasticity Explain Trade Collapse during Recessions?"**

This paper seeks to examine the wealth and income elasticities of traded goods to see what explanatory power they might have in the sensitivity of trade to recessions. Using data from the consumer expenditure survey (CEX) I compute goods-specific income and wealth elasticities. Then, using the trade content of these sectors derived from the Input-Output Matrix, I find that elasticity very poorly predicts trade content. I also find that, without resorting to very strong assumptions about preferences, these elasticities can only explain a very small portion of the exaggerated responses of trade flows to recession. This finding is in contrast to more stark findings by Hummels & Lee, and the paper discusses the reasons for this divergence. Ultimately, the paper examines the difference between income elasticity and deferrable expenditure, discusses why the latter cannot easily be identified in the CEX, and points to why "deferrability" may be a more promising explanation of the trade-collapse phenomenon.

***Chapter 3*: "Asymmetric Inflation: Consumer Credit Frictions and Stable Differences in Sector-Specific Inflation"**

This paper scrutinizes important structural features of consumer credit provision and possible consequences this may have for price changes between sectors. Because the underwriting of consumer loans is tied to wages and regulated more intrusively, I argue that credit provision to consumers is inherently less responsive than other types of lending to economic shocks or policy changes. In a simple model – one that ignores the real economic implications of monetary policy – I then examine how consumer good (CPI) inflation might be disproportionately affected by consumer credit provision. The paper then works through how increasing these consumer credit frictions might, *ceteris paribus*, in turn require larger policy interventions in order to achieve target inflation levels. Finally, I consider alternative strategies in this setting that could generate similar target inflation rates with less dramatic policy interventions.