

Speaker:

Priyam Verma (Ashoka University)

Date and Time:

May 22nd, 2025 (Thursday) at 3:30 PM

Venue:

Conference Room, Department of Economics,
Rahul Bajaj Technology Innovation Center

**Title:**

Market Access and The China Shock: Estimating General Equilibrium Impacts on U.S. Local Labor Markets

Abstract:

We develop a model-based empirical strategy to estimate the general equilibrium effects of international trade shocks on local labor markets, defined as sectors within U.S. commuting zones. We derive a comprehensive measure of market access that accounts for domestic competition and input-output linkages across regions, linking it to shocks in foreign fundamentals. We quantify changes in market access for 722 U.S. commuting zones and 22 sectors between 2001 and 2007, using input-output linkages and domestic sectoral trade costs estimated with U.S. infrastructure networks. We construct a model-based instrument that captures exogenous variation in market access induced by the China Shock. Our results show that, once accounting for these general equilibrium spillovers, the negative direct effect of the China Shock on market access is reduced by one-third. Further, using exogenous variation from the instrument, we find that increases in market access raise employment on average. Markets that experienced milder contractions in market access due to the China Shock saw smaller employment losses or even employment gains. While tradable sectors show relative gains, much of the employment gains are driven by non-tradable services. We find limited effects on wages in the pooled sample, but a significant decline in wages in non-tradable sectors—consistent with displaced labor reallocating toward lower-productivity, lower-wage service jobs.

About the speaker:

Priyam Verma's research is in the intersection of trade and economic geography. He completed his Ph.D. in Economics from the University of Houston in 2021 after which he was a Postdoctoral fellow at Aix Marseille School of Economics (France). Dr. Verma studies public policies through the lens of quantitative trade models by highlighting synergies between investments and trade to thereby optimize regional gains from trade.