

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: Jose Asturias, School of Foreign Service in Qatar, Georgetown University

TITLE: **Misallocation, Internal Trade, and the Role of Transportation Infrastructure**

TIME: 11:30 AM - 01:00 PM

DAY & DATE: Friday, 8th August, 2014.

PLACE: Seminar Room 2

Abstract:

In this paper, we quantify the welfare impact of the construction of the Golden Quadrilateral (GQ) in India. To do so, we extend the endogenous variable markups trade model of Atkeson and Burstein (2008) into a multi-region setting in which asymmetric states trade with each other. To estimate key parameters of the model, we use a rich micro-level dataset constructed from manufacturing and geospatial data. We then simulate the improvement in road quality consistent with the construction of the GQ. We find aggregate gains of 2.15% for all of India. We also decompose these gains into Ricardian and pro-competitive components. Lastly, we find that welfare effects vary substantially across states, including negative welfare impacts for some states far away from the GQ.

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