

Aggregate, Regional and Sectoral Implications of Transportation Costs (joint with Sophie Osotimehin and Latchezar Popov)

How does the productivity of the transportation sector affect the economy? We construct a multisectoral and multiregional model with input-output and investment linkages to address this question. The model features an explicit sector supplying transportation services that are used by industries producing tradable products at differential intensities, determining product-specific shipping costs in equilibrium. We calibrate the model to the U.S. input-output, employment and interregional shipment data in order to quantify the effects of the long-run improvement in transportation productivity over the period 1947-2017. We also contrast our findings with the predictions of a model without an explicit transportation sector in which shipping costs are of the iceberg type.
