Title: Geography and Path Dependence (joint with Treb Allen, Dartmouth)

Abstract: How much of the distribution of economic activity is determined by history (i.e. path dependence) rather than by geographic fundamentals? And what are the consequences of the path-dependent component of economic geography? We develop an empirical framework that enables answers to these questions. Our model combines a workhorse model of trade subject to geographic frictions with features of local agglomeration externalities as well as an overlapping generations model of labor mobility also subject to spatial fractions. We derive parameter conditions, for arbitrary geographic scenarios, under which equilibrium transition paths are unique and yet study states will nevertheless be non-unique — that is, where initial conditions (“history”) determine long-run steady-state outcomes (“path dependence”). We then estimate this model's parameters (which govern the strength of agglomeration externalities and trade and migration frictions), by focusing on moment conditions that are robust to potential equilibrium multiplicity, using spatial variation across US counties from 1850 to the present. We then simulate a range of counterfactual scenarios that vary the initial conditions of US economic geography in order to shed light on the extent to which path dependence is costly — or equivalently, the extent to which the modern U.S. distribution of economic activity is inefficient because of the "long arm of history."