

The Consumption Response to Trade Shocks

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ABSTRACT

This paper studies the response of consumption to trade shocks induced by changes in US and Chinese trade policy between 2017-2018. The core of the analysis is the use of a unique data set with the universe new auto sales at the US county level, at a monthly frequency over the period of 2017-2018. This data set is merged with a commute-zone's announced and actual change in tariffs via-a-via China. A difference-in-difference approach is used to trace out the effect of the shock from announcement, implementation, and medium-run effects. A simple quantitative model is developed to facilitate interpretation of the results.

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