TITLE: INTERNATIONAL TRADE TRANSMISSION CHANNEL OF A LOCAL CRISIS: A SIMPLE MODEL

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ABSTRACT:

We propose a linear general interdependence model of the world economy, and use United Nations Statistics Division data to estimate its parameters. This allows us to assess the propagation through the channel of international trade of an exogenous shock to one country's autonomous expenditures, thereby constructing a "vulnerability ranking" for the countries in the sample to an exogenous shock to any of them. The response of the system to a negative shock to the United States autonomous outlays is carried out as an example. Though subject to multiple caveats, these comparative statics results might be useful for policy analysis.