Discussion

“Spatial Correlation, Trade, and Inequality: Evidence from the Global Climate”
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Economic Effects and Policy Responses to Climate Change and Natural Disasters
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Summary

1. Theory
Spatial correlation amplifies global inequality

2. Empirical test
ENSO as exogenous shifter of the global spatial correlation in cereal productivities

3. Application
Impacts of climate change accounting for spatial linkages
Many phenomena exhibit spatial correlation

- Pandemics
- Natural endowments
- Natural disasters
- Conflict and political instability

- Vulnerability to climate shocks (e.g. rainfed agriculture)
- Potential for adaptation / remediation

- Implications also for:
  - Regional inequality within countries
  - Migration flows
Empirics

➢ Moran’s I: interpretation / intuition for magnitudes?

➢ Moran’s I and Modifiable Area Unit Problem: large vs small countries?

➢ ENSO vs drought indexes?

➢ Exclusion restriction: direct effects of ENSO on trade costs
  • Inside vs. outside crop growing season?
Dynamics

➢ Is global spatial correlation increasing / decreasing over time?

➢ Do the spatial linkages also make shocks more persistent?

➢ How fast does the “own” shock dissipate vs the “feedback” effect via gains from trade?