

# Cristian Espinosa

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## Education

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2018 - Present	<b>PhD(c) in Economics (expected 2025)</b> University College London (UCL)
2012	<b>M.A. in Economics</b> University of Chile
2010	<b>B.A. in Economics</b> University of Chile

## Research Interests:

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International Economics (Trade and Macroeconomics), Empirical Macroeconomics

## References

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**Morten O. Ravn**  
Department of Economics  
University College London  
Email: [m.ravn@ucl.ac.uk](mailto:m.ravn@ucl.ac.uk)

**Franck Portier**  
Department of Economics  
University College London  
Email: [f.portier@ucl.ac.uk](mailto:f.portier@ucl.ac.uk)

**Raffaella Giacomini**  
Department of Economics  
University College London  
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**José-Víctor Ríos-Rull**  
Department of Economics  
University of Pennsylvania  
Email: [vr0j@upenn.edu](mailto:vr0j@upenn.edu)

## Employment

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2013 - 2017	<b>Central Bank of Chile</b> Financial Policy Division, Financial Stability Subdivision Economic and Financial Analyst
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## Job Market Paper

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### [From Protection to Retaliation: The Welfare Cost of Trade Wars](#)

**Abstract:** This paper explores the welfare costs of trade barriers, which depend on trade elasticities. State-of-the-art literature uses tariffs as instruments to structurally identify them. Studies, using Trump tariffs, in the US estimate modest elasticities, implying low welfare costs. In this paper, I build a two-country model of political economy to explain these results and introduce a novel identification strategy for estimating elasticities. The model features a selection mechanism for goods chosen for treatment, based on the government's objective function and the state of the economy. When raising revenue, the government imposes tariffs on sectors with low demand elasticity. In response, the other country retaliates by targeting goods with high demand elasticity to maximize economic harm on the trade partner. This provides a framework for two possible instruments: protectionist and retaliatory tariffs. As trade policy targets the extremes of the demand elasticity distribution, Trump's protectionism aligns with modest elasticity estimates of the lower bound. Using administrative data from Canadian imports, I employ the 2018 retaliatory tariffs against the US as an instrument to estimate the elasticities corresponding to the upper bound. I find the demand elasticity for imports ranges between 2.5 and 5.2, while the supply elasticity of exports is zero. This suggests that welfare costs could double, reaching up to \$22 billion.

## Working Papers

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### [The Macroeconomic Effect of Modern Protectionism](#)

**Abstract:** This paper estimates the dynamic effects of import tariffs on key macroeconomic aggregates in a small open economy. Due to the countercyclical profile of tariffs, simultaneity between tariffs and GDP induces attenuation bias in the calculation of impulse response functions. To address this issue, we develop a novel instrument based on retaliatory tariffs, constructed from a database of temporary trade barriers. Retaliatory tariff rates are constrained by the World Trade Organization (WTO) to match those imposed by trade partners. The identifying assumption is that tariffs imposed by trade partners are orthogonal to the own economic activity shocks. Retaliation responds to a foreign partner's defection rather than to domestic economic conditions, allowing the identification of an exogenous import tariff shock using an Proxy-SVAR model. Our key findings are that an increase in tariffs: (i) is inflationary (for consumer prices); (ii) has a negative and quite persistent impact on GDP; and (iii) worsens the trade balance on impact. The results are robust across various alternative specifications and the estimated effects exceed those obtained using standard timing restriction models.

### [The Carbon Tax as an Automatic Stabilizer in a Commodity-Producing Small Open Economy](#), with Pablo Gutierrez

#### Accepted at Economic Analysis and Policy

**Abstract:** In this paper, we evaluate the role of carbon taxes as automatic stabilizers in small open economies that specialize in the export of a single commodity, particularly those highly dependent on energy inputs for production. Specifically, we examine the carbon tax's ability to reduce the volatility of the real exchange rate and energy prices. This analysis is conducted through the lens of a DSGE model that incorporates an externality affecting GDP, originating from the burning of fossil fuels for energy generation. We assume this externality drives climate change, and the government, aiming to internalize these damages, imposes a Pigouvian tax on the energy sector. Our model is calibrated for the Chilean economy, which is highly specialized in copper production. The results show that the tax: (i) reduces energy volatility by 14% and energy price volatility by 10%, and (ii) lowers the variance of the real exchange rate by 1.8%. These stabilizing effects are robust to different shock specifications and the choice of model used to represent household consumption and the environment.

## Pre-Doc Publications

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| 2017 | Espinosa, C., Fernandez, J., and Vasquez, F.<br><a href="#">Firm's Stress Testing: An Application to the Chilean Non-Financial Corporate Sector (in Spanish)</a><br><i>Journal Economía Chilena (The Chilean Economy)</i>    |
| 2015 | Espinosa, C., and Fornero, J.<br><a href="#">Welfare Analysis of an Optimal Carbon Tax in Chile</a> , in C. García (Ed.)<br><a href="#">(in Spanish)</a><br><i>Economía y Energía: La experiencia Chilena (Book chapter)</i> |
|      | Espinosa, C., and Fernandez, J.,<br><a href="#">Historical Comparison of Results in the Chilean Corporate Sector (in Spanish)</a><br><i>Journal Economía Chilena (The Chilean Economy)</i>                                   |
| 2014 | Espinosa, C., and Fornero, J.<br><a href="#">Welfare Analysis of an Optimal Carbon Tax in Chile</a><br><i>Journal of Economic Analysis Review</i>  |

## Teaching Assistant Experience

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2019 - Present	<b>University College London (UCL)</b> MSc Time Series Econometrics, Profs. Raffaella Giacomini and Saleem Bahaj BSc Econometrics for Macroeconomics and Finance, Prof. Dennis Kristensen BSc Money and Banking, Prof. Silvia Dal Bianco
2010 - 2013	<b>University of Chile</b> MA Econometrics I, Prof. Valentina Paredes BA Econometrics I, Prof. Andres Sagner
2011 - 2012	<b>Diego Portales University</b> MA Econometric Theory, Prof. Rodrigo Montero BA Macroeconomics II, Profs. Ricardo Mayer and Rodrigo Montero
2010	<b>Institute of Banking Studies Guillermo Subercaseaux</b> BA Financial Econometrics, Prof. Andres Sagner

## Seminars, Workshops and Conference Presentations

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2024	ENTER Seminar, University of Mannheim ( <i>forthcoming</i> ) MMF annual conference, Manchester Workshop on dynamic macroeconomics, Vigo ENTER Seminar, Stockholm School of Economics (SSE) RES Easter School, Bristol University
2023	AASLE Conference, Taiwan Nordic Summer Symposium in Macroeconomics, Sweden ENTER Jamboree, Mannheim University Macroeconomic workshop, Surrey University
2022	ENTER Jamboree, Universitat Autònoma de Barcelona (UAB)

## Short Courses and Summer Schools

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2024	Research Easter School for the Royal Economic Society, University of Bristol International Economics and Trade Profs. Meredith Crowley and Isabelle Mejean
2022	Economics Summer School, University of East Anglia Bayesian Structural Vector Autoregressions Profs. Martin Bruns and Robin Braun
2019	Research Easter School for the Royal Economic Society, University of Essex New Monetarist Economics: Theory, Evidence and Policy Implications Prof. Randall Wright
2015	Microeconometrics Summer School, Barcelona GSE Dynamic and Non-Linear Panel Data Models Profs. Sergi Jiménez-Martín and J.M. Labeaga

## Professional Memberships

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2021 - Present	European Network for Training in Economic Research ( <a href="#">ENTER</a> ) UCL ENTER Representative
	Economics: The Open-Access, Open-Assessment Journal Journal Reviewer (referee)
2019 - Present	Student member of the Royal Economic Society (RES)

## Honors and Awards

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2021	PhD in Economics Scholarship, by Department in Economics at UCL
2019	MRes in Economics passed with distinction
2017	MRes/Mphil/PhD in Economics Scholarship at UCL, by Chilean Government
2011	M.A. in Economics Scholarship, by University of Chile
2010	B.A. in Economics and Professional Degree ranked among top 10%

## Skills

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<b>Programming:</b>	STATA, MATLAB, Dynare, Python LaTeX, Microsoft Office and Visual Basic
<b>Languages:</b>	Spanish (Native), English (Fluent)

## Personal Information

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<b>Residence:</b>	London, United Kingdom
<b>Citizenship:</b>	Chilean