Model Layout

Model layout

- i and n denote countries $i, n \in \mathcal{I}$

- 1 sector

- Endowment: N workers

- Trade elasticity θ

- Trade cost are iceberg d_{in}

- w_i are wages

- workers are freely mobile

Solving the model

Income
$$E_n = w_n N_n$$

Labor market clearing
$$w_n N_n = \sum_{i \in \mathcal{I}} X_{in}$$

Expenditure
$$X_{in} = \frac{T_i \left(w_i d_{in} \right)^{-\theta}}{\Phi_n} E_n$$

Multilateral resistance term
$$\Phi_n = \sum_{i \in \mathcal{I}} T_i \left(w_i d_{in} \right)^{-\theta}$$

Price index
$$P_i = \Gamma \Phi_i^{-\frac{1}{\theta}}$$

Aggregate labor
$$\sum_i N_i = N$$

Utility
$$U_i = \frac{w_i}{P_i} B_i$$

Productivity
$$T_i = \bar{T}_i N_i^{\beta}$$

Amenity
$$B_i = \bar{B}_i N_i^{\beta}$$