

# Growth and Trade in a World of Cities

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## **Abstract**

Cities have traditionally been locations that host both production and trading activities. This paper documents recent technological changes in the shipping industry which have led to a significant reallocation of economic activity across cities and the formation of cities that serve as large trading hubs. We build a quantitative model in which endogenous investment in trading infrastructure interacts with standard agglomeration forces. The model is used to quantify how improvements in transportation technology affect the allocation of economic activity across cities and aggregate growth.