

Session Information submitted to KAEA on

KWEN Workshop at the 2020 ASSA Meetings

Yoosoon Chang, 7 December 2019

- Session title: **From Micro Data To Macro Policy**
 - Date/time: 3 January 2020 , 4-6pm
 - Venue: Manchester Grand Hyatt San Diego, Balboa C
 - JEL codes: C5, D31, E44, E62, F14, F16, J6
- The requested information in the following categories are provided together below.
- Manuscript titles, abstracts, author information (names, affiliations, email addresses, and session chair information (name, affiliation, email address))
1. Presenter: Hie Joo Ahn, Federal Reserve Board; email: HieJoo.Ahn@frb.gov
Title of paper: “Measuring Labor-Force Participation and the Incidence and Duration of Unemployment,” coauthored with James Hamilton (University of California, San Diego; email: jhamilton@UCSD.EDU)
Abstract: The underlying data from which the U.S. unemployment rate, labor-force participation rate, and duration of unemployment are calculated contain numerous internal contradictions. This paper catalogs these inconsistencies and proposes a unified reconciliation. We find that the usual statistics understate the unemployment rate and the labor-force participation rate by about two percentage points on average and that the bias in the latter has increased since the Great Recession. The BLS estimate of the average duration of unemployment overstates by 50% the true duration of uninterrupted spells of unemployment and misrepresents what happened to average durations during the Great Recession and its recovery.
 2. Presenter: Eunhee Lee, University of Maryland; email: eunhee.s.lee@gmail.com
Title of paper: “Trade, Jobs, and Worker Welfare,” co-authored with Erhan Artuc (World Bank, email: eartuc@worldbank.org) and Paulo Bastos (Universidade de Lisboa, email: pbastos@iseg.ulisboa.pt)
Abstract: We study welfare effects of trade on workers across different regions and sectors by introducing a new dynamic discrete choice model of labor mobility with endogenous number of choices. In our general equilibrium model, trade shocks impact worker welfare not only through wages, but also via the number of job opportunities available to workers in different labor markets. First, we exploit differential exposure of sectors and regions to destination-specific demand shocks to estimate the impacts of export shocks on wages, employment and labor mobility, using detailed employer-employee panel data for Brazil. Second, we employ the same empirical strategy to estimate structural parameters and the different components of the change in model-implied worker welfare. Third, we use our model and the estimated structural parameters to perform counterfactual policy simulations. The structural IV estimates reveal that the job opportunities

channel that we introduce accounts for a sizable share of the losses in worker lifetime welfare following a negative shock to exports.

3. Presenter: Hyunju Lee, Ryerson University; email: hyunju.lee@ryerson.ca
Title of paper: “Capital Regulations and the Rise of Shadow Banking,” co-authored with Sunyoung Lee (Seoul National University, email: sunqt@snu.ac.kr), and Radoslaw Paluszynski (University of Houston, rpaluszynski@uh.edu)
Abstract: The Basel III regulations significantly increased the required level of banks’ own capital holding. Using a new micro-level dataset of corporate loans of the largest firms in South Korea, we document a 25% decline in credit from regulated banks coinciding with the reform, and an increase of similar magnitude from non-bank lenders. We use our data to estimate a strongly negative effect of capital requirements on regulated bank lending, and a positive effect on non-bank lending. To understand this finding, we build a quantitative model with heterogeneous banks who accumulate equity and invest in risky loans. In addition, heterogeneous firms may endogenously choose to become a non-regulated lender. We use the model to show that an increase in capital requirements similar to that of Basel III can generate the decrease in regulated bank lending, as well as the rise in shadow lending of the magnitude documented in our data.

 4. Presenter: Yoosoon Chang, Indiana University; email: yoosoon@indiana.edu
Title of paper: “Longrun Effect of Income Distribution on Aggregate Consumption,” co-authored with Changsik Kim (Sungkyunkwan University, email: skimcs@skku.edu), Hwagyun Kim (Texas A&M University, email: hagenkim@tamu.edu), and Joon Park (Indiana University, email: joon@indiana.edu)
Abstract: This paper identifies and estimates the longrun effect of income distribution on aggregate consumption. Permanent components of income and consumption are obtained by functional Beveridge-Nelson decomposition of U.S. Consumer Expenditure Survey data. From the permanent income distribution, we identify two factors – the level (aggregate) and the spread (redistribution) – that affect permanent consumption. Longrun consumption is most positively affected by households with monthly earnings of around \$2,000, households with lower income have negative effects on aggregate consumption, and those with \$5,000 or more respond little to income redistribution. Limited income sharing across households, high entry barriers, and nontrivial adjustment costs associated with both human and physical capital accumulation may contribute to the empirical findings. Taking the estimated longrun response function as the optimal behavior of households, counterfactual taxation exercises suggest that purely redistributive policies can increase the permanent component of aggregate consumption by 250%.
- Chair information: Yoosoon Chang, Indiana University, email: yoosoon@indiana.edu