Ph.D. Seminar
"Employment and Investment: From Micro to Macro"
Spring Semester 2019 – 2nd Half

Professor Holger Mueller
hmueller@stern.nyu.edu

Tuesdays 2:00 pm – 5:00 pm
Room: KMC 9-191 (Gruber)

Empirical macro is undergoing a transition. As Nakamura and Steinsson write in their recent survey article "Identification in Macroeconomics" (Journal of Economic Perspectives 2018, p. 66):

> "The increased use of cross-sectional identification approaches has been an exciting development in empirical macroeconomics. In this work, researchers use geographically disaggregated panel datasets—often disaggregated to the level of the state or metropolitan statistical area—to identify novel causal effects. The use of regional data typically multiplies the number of data points available by an order of magnitude or more. It also allows for difference-in-difference identification and makes possible the use of a powerful class of instrumental variables: differential regional exposure to aggregate shocks.."

All papers in this course study employment and investment, two important macro variables, using detailed micro data and exploiting variation in the cross-section in place of the time-series. Papers differ in their level of disaggregation; some analyses are at the county level, while others are at the firm or establishment level. In some papers the focus is on households, in others it is on banks, and yet in others it is on firms. Many of them have a corporate finance flavor. What all of these papers have in common is their objective to shed light on employment and investment dynamics through the lens of micro data. A caveat is that all of the papers covered in this course pertain to specific episodes or natural experiments, thus raising concerns about external validity. The papers are broadly organized around specific "channels," albeit this categorization is obviously subjective.

We will discuss two papers per session. Each session consists of two 45-60 minute presentations. There is plenty of time for discussion. Presentations should follow the usual format: 1) motivation, 2) data & empirical strategy, and 3) results. Make sure to spend sufficient time on 2); this is often the part of the presentation where students learn the most. In particular, you need to be transparent as to how the identification strategy works, what variation the results are identified off, etc. As for the motivation, it would be good if you could spend a bit of time relating the paper to the broader literature, including perhaps follow-up literature that expands on, or questions results of, the paper. Feel free to use any additional graphs/charts/results from other papers or the Internet if you think it helps. In the end, you should present the paper as if it were your own. That being said, we also want to know your personal opinion of the paper. Thus, it would be good—in fact, highly appreciated—if you could comment on problems and questions you had when reading the paper. (Obviously, we all understand that you wouldn't do this if this were your own paper.)

Please make sure the presentation follows common-sense style guidelines (font size of 14-16 or higher, not too much text per slide, etc.). Please email me your presentation by noon of the day in which you are scheduled to present. Please also bring your presentation on a memory stick to class.

If you have difficulty locating one or more of the papers in the syllabus, please email me. In general, you should be able to find all of them by googling. If a paper is published, please base your presentation on the published version, although it may occasionally be interesting to additionally consult older working paper versions to see how the paper has evolved over time.

Background: Empirical Methodology (see also Philipp Schnabl's Ph.D. course)

Angrist, J., and Pischke, J.-S., Mostly Harmless Econometrics. Princeton University Press.

Session Schedule

Tuesday, April 2

Organizational meeting and paper assignment.

Tuesday, April 9 (Demand Channel)

Mian, A., K. Rao, and A. Sufi, 2013, Household Balance Sheets, Consumption, and the Economic Slump, Quarterly Journal of Economics 128, 1-40.

Mian, A., and A. Sufi, 2014, What Explains the 2007-2009 Drop in Employment? Econometrica 82, 2197-2223.

Background reading (both papers):

Saiz, Albert, 2010, The Geographic Determinants of Housing Supply, Quarterly Journal of Economics 125, 1253-1296.

Friday, April 12 (Gruber room, 2-5pm) (Demand Channel)

Giroud, X., and H. Mueller, 2017, Firm Leverage, Consumer Demand, and Employment Losses during the Great Recession, Quarterly Journal of Economics 32, 271-316.

Giroud, X., and H. Mueller, 2019, Firms' Internal Networks and Local Economic Shocks, forthcoming, American Economic Review.

Tuesday, April 23 (Credit Supply Channel)

Chodorow-Reich, G., 2014, The Employment Effects of Credit Market Disruptions: Firm-level Evidence from the 2008-09 Financial Crisis, Quarterly Journal of Economics 129, 1-59.

Greenstone, M., A. Mas, and H.-L. Nguyen, 2015, Do Credit Market Shocks Affect the Real Economy? Quasi-Experimental Evidence from the Great Recession and 'Normal' Economic Times, mimeo, Princeton University.

<u>Background reading (Greenstone/Mas/Nguyen)</u>:

Goldsmith-Pinkham, P., I. Sorkin, and H. Swift, 2018, Bartik Instruments: What, When, Why, and How, NBER WP #24408.

Tuesday, April 30 (Credit Supply Channel / Collateral Channel)

Huber, K.. Disentangling the Effects of a Banking Crisis: Evidence from German Firms and Counties, American Economic Review 108, 868-898.

Chaney, T., D. Sraer, and D. Thesmar, 2012, The Collateral Channel: How Real Estate Shocks Affect Corporate Investment, American Economic Review 102, 2381-2409.

Wednesday, May 7 (Investment Opportunity Channel)

Giroud, X., 2013, Proximity and Investment: Evidence from Plant-Level Data, Quarterly Journal of Economics 128, 861-915.

Giroud, X., and H. Mueller, 2015, Capital and Labor Reallocation within Firms, Journal of Finance 70, 1767-1804.