Accepted Manuscript

Explaining the Durable Goods Co-movement Puzzle: A Bayesian Approach

Jaya Dey, Yi-Chan Tsai

PII: S0164-0704(16)30216-6
DOI: 10.1016/j.jmacro.2016.12.005
Reference: JMACRO 2916

To appear in: *Journal of Macroeconomics*

Received date: 28 March 2016
Revised date: 1 December 2016
Accepted date: 8 December 2016

Please cite this article as: Jaya Dey, Yi-Chan Tsai, Explaining the Durable Goods Co-movement Puzzle: A Bayesian Approach, *Journal of Macroeconomics* (2016), doi: 10.1016/j.jmacro.2016.12.005

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

ACCEPTED MANUSCRIPT

Highlights

- A standard two-sector sticky price model with exibly priced durables depicts negative comovement between durables and nondurables after a monetary policy shock, which is at odds with the empirical evidence.
- Several papers have addressed this issue with different model mechanisms, which can essentially be divided into three categories: financial frictions (on the production side or on the household side), stickiness in the price of productive inputs (labor or intermediate goods), and non-separable preferences between labor and composite consumption.
- While each mechanism can independently resolve the comovement problem, it is unclear which mechanism is empirically most relevant.
- This paper conducts a horse race among three alternatives that can resolve the puzzle in isolation, namely, a working capital channel with habit formation, sticky wages, and non-separable preferences, using a Bayesian approach.
- Based on the posterior estimates and a log marginal likelihood comparison exercise, the working capital channel combined with habit formation is the most important mechanism, as it can simultaneously resolve the comovement problem and fit the data well.

ACCEPTED MANUSCRIPT

Download English Version:

https://daneshyari.com/en/article/5101287

Download Persian Version:

https://daneshyari.com/article/5101287

Daneshyari.com