

Microeconomic uncertainty, international trade, and aggregate fluctuations

George Alessandria, Horag Choi, Joseph P. Kaboski, Virgiliu Midrigan



www.elsevier.com/locate/jme

PII: S0304-3932(14)00164-0
DOI: <http://dx.doi.org/10.1016/j.jmoneco.2014.11.007>
Reference: MONEC2739

To appear in: *Journal of Monetary Economics*

Received date: 24 June 2014
Revised date: 3 November 2014
Accepted date: 4 November 2014

Cite this article as: George Alessandria, Horag Choi, Joseph P. Kaboski, Virgiliu Midrigan, Microeconomic uncertainty, international trade, and aggregate fluctuations, *Journal of Monetary Economics*, <http://dx.doi.org/10.1016/j.jmoneco.2014.11.007>

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 galley proof before it is published in its final citable 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.

Microeconomic Uncertainty, International Trade, and Aggregate Fluctuations*

George Alessandria[†]
University of Rochester
Federal Reserve Bank of Philadelphia and NBER

Horag Choi
Monash University

Joseph P. Kaboski
University of Notre Dame and NBER

Virgiliu Midrigan
New York University and NBER

Draft: September 2014

Abstract

The extent and direction of causation between micro volatility and business cycles are debated. We examine, empirically and theoretically, the source and effects of fluctuations in the dispersion of producer-level sales and production over the business cycle. On the theoretical side, we study the effect of exogenous first- and second-moment shocks to producer-level productivity in a two-country DSGE model with heterogeneous producers and an endogenous dynamic export participation decision. First-moment shocks cause endogenous fluctuations in producer-level dispersion by reallocating production internationally, while second-moment shocks lead to increases in trade relative to GDP in recessions. Empirically, using detailed product-level data in the motor vehicle industry and industry-level data of U.S. manufacturers, we find evidence that international reallocation is indeed important for understanding cross-industry variation in cyclical patterns of measured dispersion.

JEL classifications: E31, F12.

Keywords: Sunk cost, establishment heterogeneity, exporting, uncertainty.

*Molin Zhong provided excellent research assistance. We thank Kyle Handley and Hanno Lustig and audiences at Carnegie-Rochester NYU conference on public policy, EIEF, Emory, The Ohio State University, NBER conference on the Macroeconomic Consequences of Uncertainty for helpful comments. The views expressed here are those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System. This paper is available free of charge at www.philadelphiafed.org/research-and-data/publications/working-papers/.

[†]Corresponding author: Department of Economics, University Rochester, 204 Harkness Hall Rochester, NY 14627, USA. Tel.: +1 585 275 5252; fax: 585 256 2309.

George.Alessandria@Rochester.edu.

Download English Version:

<https://daneshyari.com/en/article/967414>

Download Persian Version:

<https://daneshyari.com/article/967414>

[Daneshyari.com](https://daneshyari.com)