2017-2018 Job Market Candidates (McGrattan)

- *Ming Xu*
  Understanding the Decline in Occupation Mobility

  Workers switch between occupations to find positions which best match their ability and interests. The rate of this occupation switching has declined significantly over the past 20 years, with the share switching over a 4-month period falling from 5.7% to 3.2%. Ming investigates two potential forces driving the decline: (1) Better information about match-quality (e.g., internet and improved search technologies) and (2) increased regulatory costs like occupational licensing. The main contribution of the paper is to identify the roles of each. She uses observed wage changes following an occupational shift, which are predictably different under the two hypotheses. Her results show that most of the decline in occupational switching is attributable to higher regulatory costs and the welfare losses are significant, roughly 3 percent of a worker's lifetime income.

- *Joaquin Garcia-Cabo*
  The Macroeconomic Effects of Employment Protection on Human Capital and Jobs

  A central question in labor economics is, How do employment protection laws impact the accumulation of human capital on the job? Joaquin analyzes a quantitative search model with wage contracts that differ in the level of employment protection they offer, similar to what is observed in Southern European countries. Using a rich dataset from the Spanish Social Security administration to discipline the model, Joaquin finds that workers with protected jobs accumulate 20 percent more human capital each quarter of continuous employment. He also finds that each quarter of unemployment erodes 7.5 percent of workers' human capital, which translates into a 2.7 percent wage loss. In effect, the Spanish system generates a "revolving door" effect between short-term contracts and unemployment, which worsens during recessions.

- *Kathleen McKiernan*
  Welfare Impacts of Social Security Reform: The Case of Chile in 1981

  Many countries, including the United States, are currently dealing with the challenge of funding retirement consumption given their aging populations. Chile serves as a useful benchmark since they switched from a pay-as-you-go system to a system of private, individual retirement accounts in the early 1980s and have completed the transition. Kathleen estimates key parameters of a life-cycle model disciplined with micro household surveys and national accounts—which she needed to construct for the early years with help from researchers at Pontifica Universidad Catolica de Chile. With the model parameters set to mimic the Chilean data prior to the reform, she feeds in the actual fiscal policies over the transition period following the change in law. The main finding is that cohorts living through the transition following the policy change experience losses that are no larger than 1 percent of lifetime consumption. As is usually the case, future generations gain with a switch. In the case of Chile, these gains are on the order of 25 to 30 percent.

- *Fatih Fazilet*
  Implications of State-Contingent MortgageContracts in Housing Markets

  Mortgage contracts contingent on house prices are found to be optimal in the mortgage design literature but not implemented in practice. Fatih's paper explores the hypothesis that these contracts are not observed because GSEs (e.g., Fannie Mae and Freddie Mac) provide implicit subsidies for fixed-rate mortgages. Estimates in the literature are subsidies on the order of 45 basis points. Based on predictions of a heterogeneous-agent life-cycle model, Fatih finds that contingent contracts emerge endogenously if the subsidy is eliminated. (The threshold rate is roughly 35 bps). Furthermore, in the counterfactual with no subsidy, foreclosure rates are less cyclical because the value of debt can adjust over the cycle. However, the level of foreclosure rates is higher since the existence of contingent contracts means lower average down payments and higher risk-taking on the part of households.

- *William Walsh*
  A Quantitative Assessment of Economic Sanctions

  There is an ongoing debate about the effectiveness of economic sanctions, with some arguing that they have been effective against countries like Cuba, Iran, and Russia, and others arguing that poor economic performances should be blamed on bad domestic policy. Bill studies the response of the Iranian economy to the oil and gas embargo imposed by the EU in 2012. He calibrates a 3-country trade model using data on outputs and bilateral trade flows. He estimates the contribution of the embargo to the subsequent recession in Iran. If re-routing of goods is possible, he can account for only one-fifth of fall in output. If there are sanctions on shipping lines that interrupt the re-routing, he can account for up to three-quarters of the fall in output, but none of the fall in consumption.