

esade

RAMON LLULL UNIVERSITY

Group for Research
in Economics and
Finance (GREF)



V Workshop of the Spanish Macroeconomics Network



Barcelona, October 21-22, 2022
Summary Report



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Introduction

V Workshop of the Spanish Macroeconomics Network

The fifth Workshop of the Spanish Macroeconomics Network - which is formed by a group of economics professors at leading Spanish universities who are committed to fostering high-quality, policy-relevant macroeconomic research - was hosted at Esade by the Group for Research in Economics and Finance (GREF) and took place at the Esade Forum on the 20 and 21 October 2022.

The workshop fostered an academic exchange of state-of-the-art ideas from all fields of macroeconomics, and attracted the participation of researchers from around the world, contributing to the main objective of Esade to bridge academic research with policy-making and social dialogue. This short article briefly discusses the main topics and ideas from the workshop.



Local Organizing Committee



Calin Arcalean

Associate Professor

*Department of Economics, Finance
and Accounting*

Research and fields of interest:

Macroeconomics, Public Economics,
International Economics



More Information



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Omar Rachedi

Assistant Professor

*Department of Economics, Finance
and Accounting*

Research and fields of interest:

Macroeconomics, fiscal policy, credit
market frictions, economics of
climate change



More Information



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Ioana Schiopu

Associate Professor

*Department of Economics, Finance
and Accounting*

Research and fields of interest:

Economics of Human Capital, Public
Economics, Macroeconomics



More Information



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Scientific Committee

Jaime Alonso
U. Vigo

Calin Arcalean
Esade

Miguel Casares
U. Pública de Navarra

Antonia Díaz
UC3M

José Enrique Galdón
U. Pública de Navarra

Gustavo Marrero
U. de la Laguna

Antonio Moreno
U. Navarra

Francesc Obiols
UAB

Fidel Pérez
U. Alicante

Luis Puch
U. Complutense Madrid

Omar Rachedi
Esade

Xavier Raurich
U. Barcelona

Raul Santaeulalia
UAB)

Ioana Schiopu
Esade

Jesús Vásquez
U. País Vasco





Barcelona, October 20 and 21, 2022

Venue: Esade Pedralbes Campus, Esade Forum, Av. Pedralbes, 60-62.

Thursday October 20, 2022

08:30 – 08:50: **Registration**

Room: Platea 1

08:50 – 09:00: Welcome remarks: **Xavier Mendoza**
(Esade Director General)

09:00 – 10:00: Keynote Speaker: **Kurt Mitman (IIES)**
Information and Wealth Heterogeneity in the Macroeconomy

10:00 – 10:30: Coffee Break

10:30 – 12:30:

Room: Amphitheatre

Chair: **Jesus Vasquez**
(Basque Country U.)

Rustam Jamilov (U. Oxford)
Bewley Banks

Marcel Peruffo (ECB)
Distributive effects of banking sector
losses

Luis Rojas (UAB)
The Bright Side of the Doom Loop:
Banks'
Exposure and Default Incentives

Steven Cassou (Kansas State U.)
State of broker-dealer leverage and
monetary policy

Room: Platea 2

Chair: **Jaime Alonso** (U. Vigo)

Eugenia Gonzalez-Aguado (TSE)
Dual Labor Markets and Career
Mobility

Virginia Sanchez-Marcos
(U. Cantabria) Labor force
participation, wages and turbulence

Alireza Sepahsalari (U. Bristol) Self-
insurance and Welfare in Turbulent
Labor Markets

Alessandro Ruggieri (U. Nottingham)
Training, Offshoring and the Job
Ladder

12:30 – 13:30: Lunch



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10:30 – 12:30:

Room: Amphitheatre

Chair: **Omar Rachedi** (Esade)

Sebastian Heise (NY Fed)
Inflation strikes back: The return of
wage to price pass-through

Mishel Ghassibe (CREI)
Endogenous production networks
and nonlinear monetary transmission

Anton Nakov (ECB)
Optimal monetary policy with $r^* < 0$

Carlo Galli (UC3M)
Asset purchases and default-inflation
risks in noisy financial markets

Room: Platea 2

Chair: **Antonia Diaz** (U. Complutense
Madrid)

Raul Santaeulalia-Llopis (UAB)
A stage-based identification of policy
effects

Laszlo Tetenyi (Banco de Portugal)
Agricultural input subsidies in general
equilibrium

Minchul Yum (U. Mannheim)
Status externalities in education and
low birth rates in Korea

Luiz Brotherhood (U. Barcelona)
Income-based affirmative action in
college admissions

15:30 – 16:00: Lunch

16:00 – 18:00:

Room: Amphitheatre

Chair: **Xavier Raurich** (U. Barcelona)

Ezequiel Garcia-Lembergman (PUC)
Multi-establishment firms, pricing
and the propagation of local shocks:
Evidence from US Retail

Liangjie Wu (EIEF)
Product reallocation and market
concentration

Pau Roldan-Blanco (Banco de España)
The effects of startup acquisitions on
innovation and economic growth

Baxter Robinson (U. Western
Ontario) Risky Business: The
choice of entrepreneurial risk under
incomplete markets

Room: Platea 2

Chair: **Ioana Schiopu** (Esade)

Aaron Hedlund (Purdue U.)
Accounting for tuition increases
across U.S. colleges

Marta Morazzoni (UPF)
Student debt and entrepreneurship in
the U.S.

Karin Kinnerud (BI Norwegian
Business School) Down-payment
requirements and consumption
responses to income shocks

Clara Martinez-Toledano (Imperial
College) House price cycles, wealth
inequality and portfolio reshuffling

20:30: **Conference Dinner:** Restaurante Agua, Pg. Maritim de la Barceloneta, 30



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Thursday October 21, 2022

09:00 – 11:00:

Room: Amphitheatre

Chair: **Calin Arclean** (Esade)

Ignacio Gonzalez (American U.)
Aggregate and distributional
consequences of corporate taxation

Anastasios Karantounias (U. Surrey)
A general theory of tax smoothing

Pawel Doligalski (U. Bristol)
Redistribution with performance pay

Ruben Dominguez-Diaz (Banco
de España) Unemployment insurance,
precautionary savings, and fiscal
multipliers

Room: Platea 2

Chair: **Luis Puch** (U. Complutense de
Madrid)

Christopher Rauh (U. Cambridge)
How do transfers and universal basic
income impact the labor market and
inequality?

Ismael Galvez-Iniesta
(U. Illes Balears) Being young in
Spain and the scars from recessions

Felix Wellschmied (UC3M)
Geographic mobility over the life-
cycle

Chiara Lacava (Goethe U. Frankfurt)
Matching and sorting across regions

11:00 – 11:30: Coffee Break

11:30 – 13:00:

Room: Amphitheatre

Chair: **Omar Rachedi** (Esade)

Giacomo Candian (HEC Montreal)
Imperfect exchange rate expectations

Pablo Guerron (Boston College)
Exchange rate disconnect redux

Aydan Dogan (Bank of England)
Global value chains and dynamics of
the UK Inflation

Room: Platea 2

Chair: **Gustavo Marrero** (U. de la
Laguna)

Miguel Leon Ledesma (U. Kent)
Growth volatility and trade: Market
diversification vs. production
specialization

Simon Lloyd (Bank of England)
Capital controls and free-trade
agreements

Nicholas Kozeniauskas (Banco de
Portugal) Demand learning, customer
capital, and exporter dynamics



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13:00 – 14:00: Lunch

Room: Platea 1

14:00 – 15:00: Keynote Speaker (**ONLINE**)

Aysegül Sahin (UT Austin)
The Dual U.S. Labor Market Uncovered

WI-FI: Participants can connect to either the Eduroam networks or the EsadeGuest network. In the latter case, fill in the initial form, and you will receive a temporary access to internet, as well as a login and a password.

This workshop is supported by the grants RED2018-102710-T and PID2020-120013GB-I00 of the Spanish Ministry of Science and Innovation and by Banco Sabadell.





Summary of the sessions

The two keynote speakers of the event were Kurt Mitman, from the Institute for International Economic Studies at Stockholm University, and Aysegül Sahin, from the University of Texas at Austin.

In his talk, Kurt Mitman focused on the fact that **similar individuals tend to have systematic differences in their expectations about key macroeconomic variables**. An example of this fact is given by the current high dispersion in households' expectations about future inflation. To rationalize this puzzling finding, his work proposes a theory of information choice, in which individuals have to learn about the complex dynamics of the economy. This framework helps policy makers in understanding how individuals could heterogeneously and potentially even erroneously react to policy announcements.

Aysegül Sahin talked about the labour market, proposing a **new classification method that could characterize better the labour market dynamics of long-term employed, as well as the heterogeneity in the types of unemployed**. By using a novel machine learning approach, her work highlights a marked segmentation of the U.S. labour market, which is both consistent with the presence of gender and racial discrimination, as well as with potential heterogeneity in life-cycle career choices across individuals. By showing that the labour market is the sum of very different parts, this work provides a new perspective on many empirical puzzles in macro-labour and food for thought for future theories and policy design.

The workshop consisted of five parallel sessions, with speakers from universities like HEC Montreal,

Boston College, Imperial College, Cambridge, and Oxford, among many others, and institutions like the European Central Bank, the Bank of Portugal, the Bank of Spain, the Bank of England, and the Federal Reserve Bank of New York.

One of the first sessions was about the role of **banks**. Rustam Jamilov (University of Oxford) proposed a quantitative macroeconomic model with heterogeneous monopolistic banks subject to default risk. The works show that large common shocks to banks' balance sheets that hit a concentrated and fragile banking distribution cause significantly larger recessions. As a result, the persistent consolidation in the U.S. banking sector over the recent decades has fostered the reliability of the financial sector to the bankruptcy of small financial intermediaries while at the same time boosting financial instability to large downturns.

Marcel Peruffo (European Central Bank) discussed how banking sector losses and bank bailout programs have heterogeneous distributive effects across individuals. Specifically, a decline in bank equity returns leads to a relatively larger drop in the consumption of low-income households, who suffer from both losses in labour earnings as well as from a rise in the cost of borrowing.

These results imply that debt-financed asset purchase programs can improve welfare, especially so for low-income individuals. Luis Rojas (Universitat Autònoma de Barcelona) revisited the "doom loop", that is, the feedback loop between sovereign and financial sector insolvency that has been identified as a key driver of the 2010's



European debt crisis. He finds that, surprisingly, banks' lower exposure to domestic sovereign debt or a commitment not to bailout banks can backfire, since default incentives depend not only on the quantity of debt but also on who holds it. This prescription provides a novel rationale for the recent "Transmission Protection Instrument" of the European Central Bank, which is aimed at secondary market purchases of securities issued in jurisdictions experiencing a deterioration in financing conditions not warranted by country-specific fundamentals.

In a parallel session on **policy evaluation**, Raul Santaaulalia-Llopis (Universitat Autònoma de Barcelona) presented a method to identify outcomes of nationwide policies at the regional level based on stage differences across regions while Laszlo Tetenyi (Banco de Portugal) discussed the general equilibrium effects of agricultural input subsidies and how financial development and infrastructure bear on the choice of optimal policy. Minchul Yum (University of Mannheim) looked at status externalities in education and how it affects fertility rates, using the case of South Korea to analyse the role of various government policies. Luiz Brotherhood (Universitat de Barcelona) analysed the effects of college admission quotas for low-income applicants, showing how the optimal policy could reduce intergenerational persistence of earnings and increase welfare.

The session on **monetary policy** with Sebastian Heise (Federal Reserve Bank of New York), Mishel Ghassibe (CREI), Anton Nakov (European Central Bank), and Carlo Galli (Universidad Carlos III de Madrid) discussed the role of the wage to price pass-through and changes in the trade of foreign intermediate inputs as a driver of the recent spike in inflation, the key role by changes in the firm-to-firm production network

to understand the propagation of changes in nominal interest rates, how to optimally set monetary policy when the natural interest rate is below zero, and how to uncover the channel through which unconventional policies and asset purchases affect the economy.

The session on **firm dynamics** featured presentations by Ezequiel Garcia-Lembergman (PUC) on the propagation of local shocks in the presence of multi-establishment firms, Liangjie Wu (EIEF) on the link between product reallocation and market concentration, Pau Roldan-Blanco (Banco de España) on the effects of start-up acquisitions on innovation and economic growth and Baxter Robinson (University of Western Ontario) on the choice of entrepreneurial risk under incomplete markets.

Ignacio Gonzalez (American University), Anastasios Karantounias (University of Surrey), Pawel Doligalski (University of Bristol), and Ruben Dominguez-Diaz (Bank of Spain) discussed topics about **fiscal policy**. In particular, they showed how corporate taxation can have a heterogeneous impact across individuals with different wealth levels, how to properly set tax policies over time and how to tax bonuses and performance pay, as well as how unemployment insurance programs interact with fiscal stimulus packages.

The session on **household finance** focused on topics related to education and housing. Aaron Hedlund (Purdue University) analysed tuition inflation in a model of the U.S. higher education sector focusing on imperfect competition, price discrimination, and defaultable student loans while Marta Morazzoni (UPF) discussed how student loans lower the probability of opening a firm and obtaining funding and is linked to smaller, less profitable businesses. Karin Kinnerud (BI Norwegian Business School) looked at



down-payment requirements and consumption responses to negative income shocks while Clara Martinez-Toledano (Imperial College) studied the effects of house price cycles on wealth inequality.

Labour market sessions tackled a wide variety of important topics. Among others, Eugenia Gonzalez-Aguado (TSE) analysed how the presence of both time-limited, fixed-term contracts and protected open-ended contracts alters the occupational choices of workers and studies policies such as a decrease of firing costs for protected contracts or a decrease in the costs of changing occupations while Alessandro Ruggieri (U. Nottingham) discussed the effect of foreign competition on the accumulation of human capital, wages, training and unemployment spells, accounting for the main trends in the U.S. labour markets since the 1980s.

In a parallel session on labour markets, Christopher Rauh (University of Cambridge) analysed the effects of transfers and universal basic income on the labour market and inequality, Ismael Galvez-Iniesta (U. Illes Balears) analysed how job market prospects of young generations in Spain are persistently affected by recessions. Felix Wellschmied (UC3M) tackled the issue of geographical mobility over the life-cycle and its impact on rent dispersion across urban areas while Chiara Lacava (Goethe U. Frankfurt) analysed the effects of worker geographical mobility and matching to jobs for regional productivity, showing how, in the case of Italy, higher national productivity is counterbalanced by larger differences between regions.

The session on international trade had Miguel Leon Ledesma (U. Kent), Simon Lloyd (Bank of England) and Nicholas Kozeniauskas (Banco de Portugal) discussing how imperfect information on demand determines firm entry, exit and growth

in foreign markets, how international trade affects the volatility of output growth and the implications of changing market diversification and industry specialization and the trade-offs involved in the optimal choice of both trade tariffs and capital controls.

A complementary session on **international macroeconomics** featured Giacomo Candian (HEC Montreal), Pablo Guerron (Boston College) and Aydan Dogan (Bank of England) analysed the role of monetary policy and belief distortions in the formation of exchange rate expectations after the Great Recession, how trade openness and industry level integration via global value chains can explain the declining sensitivity of inflation with respect to domestic economic activity and how a careful accounting of fundamentals and associated expectations can help explain a number of empirical puzzles about exchange rates.

List of participants

1.	Jaime Alonso	Universidad de Vigo
2.	Calin Arcalean	Esade Business School
3.	Pedro Aznar	Esade Business School
4.	Anna Bayona	Esade Business School
5.	Luiz Brotherhood	Universitat de Barcelona
6.	Vicente Bermejo	Esade Business School
7.	Giacomo Candian	HEC Montreal
8.	Steven Cassou	Kansas State University
9.	Antonia Diaz	Universidad Complutense de Madrid
10.	Alessandro Di Nola	Universitat de Barcelona
11.	Aydan Dogan	Bank of England
12.	Pawel Doligalski	University of Bristol
13.	Ruben Dominguez-Diaz	Banco de España
14.	Ciprian Domnisoru	Aalto School of Business
15.	Ariadna Dumitrescu	Esade Business School
16.	Carlo Galli	Universidad Carlos III de Madrid
17.	Ismael Galvez-Iñiesta	Universitat de les Illes Balears
18.	Ezequiel Garcia-Lembergman	Pontificia Universidad Catolica de Chile
19.	Mishel Ghassibe	CREI
20.	Ignacio Gonzalez	American University
21.	Eugenia Gonzalez-Aguado	Toulouse School of Economics
22.	Pablo Guerron	Boston College
23.	Nezih Guner	Universitat Autònoma de Barcelona
24.	Aaron Hedlund	Purdue University
25.	Sebastian Heise	Federal Reserve Bank of New York
26.	Rustam Jamilov	University of Oxford
27.	Vahagn Jerbashian	Universitat de Barcelona
28.	Anastasios Karantounias	University of Surrey
29.	Karin Kinnerud	BI Norwegian Business School
30.	Nicholas Kozeniauskas	Bank of England
31.	Matthias Kredler	Universidad Carlos III de Madrid
32.	Chiara Lacava	Goethe University Frankfurt
33.	Salma Lemkhente	Esade Business School
34.	Miguel Leon Ledesma	University of Kent
35.	Simon Lloyd	Bank of England
36.	Asier Mariscal	Universitat Rovira i Virgili
37.	Gustavo Marrero	Universidad de la Laguna

38.	Clara Martinez-Toledano	Imperial College Business School
39.	Kurt Mitman	IIES
40.	Ioana Moldovan	University of Glasgow
41.	Marta Morazzoni	Universitat Pompeu Fabra
42.	Anton Nakov	European Central Bank
43.	Marcel Peruffo	European Central Bank
44.	Lucas Pinheiro Saurin	Esade Business School
45.	Luis Puch	Universidad Complutense de Madrid
46.	Omar Rachedi	Esade Business School
47.	Christopher Rauh	University of Cambridge
48.	Xavier Raurich	Universitat de Barcelona
49.	Baxter Robinson	University of Western Ontario
50.	Jesus Rodriguez	Universidad Pablo de Olavide
51.	Luis Rojas	MOVE, Universitat Autònoma de Barcelona
52.	Pau Roldan-Blanco	Banco de España
53.	Alessandro Ruggieri	University of Nottingham
54.	Carlo Sala	Esade Business School
55.	Virginia Sanchez-Marcos	Universidad de Cantabria
56.	Raul Santaeulalia-Llopiès	Universitat Autònoma de Barcelona
57.	Ioana Schiopu	Esade Business School
58.	Alireza Sepahsalari	University of Bristol
59.	Rafael Serrano	Universitat de Barcelona
60.	Andre Souza	Esade Business School
61.	Laszlo Tetenyi	Banco de Portugal
62.	Jesus Vasquez	Universidad del País Vasco
63.	Mar Vila	Esade Business School
64.	Carolina Villegas-Sanchez	Esade Business School
65.	Minchul Yum	Universität Mannheim
66.	Maosen Wang	Esade Business School
67.	Felix Wellschmied	Universidad Carlos III de Madrid
68.	Liangjie Wu	EIEF





Sponsors

This workshop was supported by the Spanish Ministry
of Science and Innovation and Banco Sabadell.



Selected Photographs



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