

# DISCUSSION ON “THE GREAT RECESSION: WHAT RECOVERY?”

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# AGHION AND KARROUBI

Solow

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Econometrics

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Banks and intangible capital

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Improvement in policy will cause a transitory period of higher growth while moving to a higher growth path at the same growth rate as before

Idea of endogenous long-run growth rates has not held up very well

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The paper's implicit identifying assumption is that the disturbance (effects of omitted variables) is uncorrelated with policy stability

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# COMPUSTAT

Unlisted private companies are important in almost every U.S. manufacturing industry

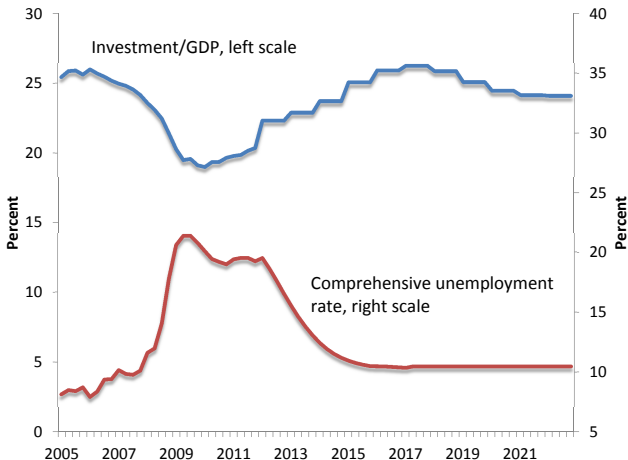
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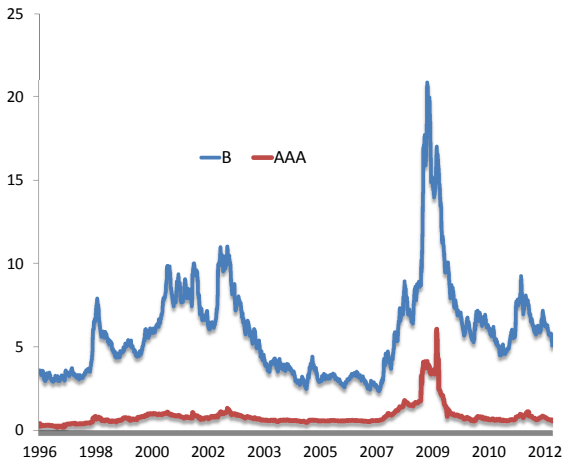
Recent work by Steve Davis and co-authors has shown that listed companies are unrepresentative of all companies in important ways

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# INVESTMENT/GDP RATIO AND COMPREHENSIVE UNEMPLOYMENT RATE, 2005 TO 2022



# CORPORATE BOND SPREADS





# RELIABLE Law of Macro Models

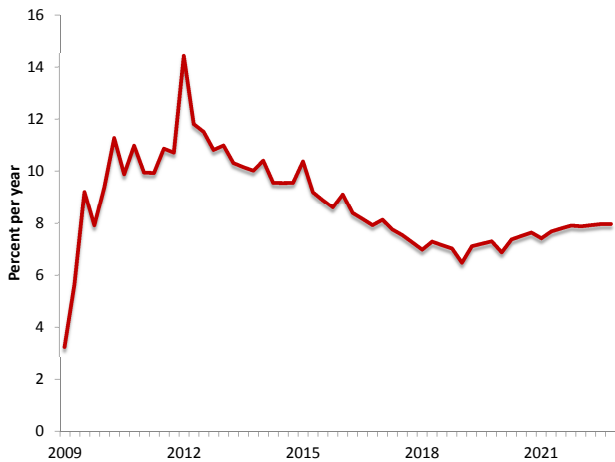
Frictions and wedges have mostly contemporaneous effects; they do not trigger persistent changes in employment and output

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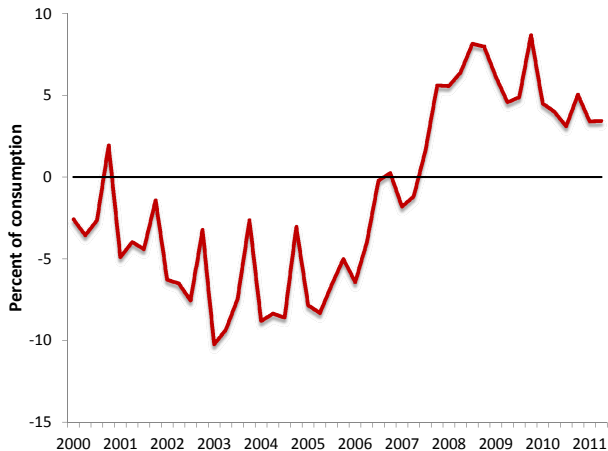
# FINANCIAL FRICTION: SPREAD BETWEEN CAPITAL AND SAFE SHORT RATE

$$f_t = \frac{1}{q_t} \left[ \alpha \frac{y_t}{k_t} + (1 - \delta)q_{t+1} \right] - 1 - r_t.$$

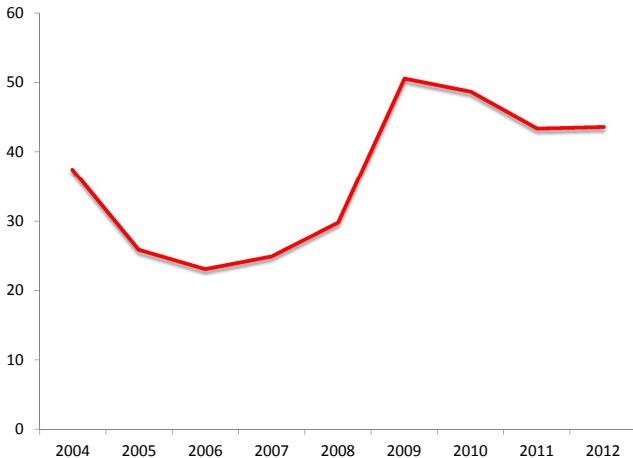
# PERSISTENCE OF THE FINANCIAL FRICTION



# BURDEN OF DELEVERAGING AS A PERCENT OF CONSUMPTION



# GOOGLE SEARCHES FOR “WITHDRAWAL PENALTY”



# LABOR-MARKET DYNAMICS

Labor-force participation is quite procyclical

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According to a 3-state (N, U, E) model, recovery of LFP is quite slow, even though unemployment is fast

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# LABOR-MARKET RECOVERY

