**The Quarterly Journal of Economics**

**Volume 137, Issue 3, August 2022**

**1. Title: The Slope of the Phillips Curve: Evidence from U.S. States**

**Authors: Jonathon Hazell, Juan Herreño, Emi Nakamura, Jón Steinsson**

**Abstract:** We estimate the slope of the Phillips curve in the cross section of U.S. states using newly constructed state-level price indices for nontradeable goods back to 1978. Our estimates indicate that the slope of the Phillips curve is small and was small even during the early 1980s. We estimate only a modest decline in the slope of the Phillips curve since the 1980s. We use a multiregion model to infer the slope of the aggregate Phillips curve from our regional estimates. Applying our estimates to recent unemployment dynamics yields essentially no missing disinflation or missing reinflation over the past few business cycles. Our results imply that the sharp drop in core inflation in the early 1980s was mostly due to shifting expectations about long-run monetary policy as opposed to a steep Phillips curve, and the greater stability of inflation between 1990 and 2020 is mostly due to long-run inflation expectations becoming more firmly anchored.

**2. Title: The Gender Gap in Self-Promotion**

**Authors: Christine L Exley, Judd B Kessler**

**Abstract:** We run a series of experiments involving over 4,000 online participants and over 10,000 school-aged youth. When individuals are asked to subjectively describe their performance on a male-typed task relating to math and science, we find a large gender gap in self-evaluations. This gap arises when self-evaluations are provided to potential employers, and thus measure self-promotion, and when self-evaluations are not driven by incentives to promote. The gender gap in self-evaluations proves to be persistent and arises as early as the sixth grade. No gender gap arises if individuals are asked about their performance on a more female-typed task.

**3.** **Title: The Assessment Gap: Racial Inequalities in Property Taxation**

**Authors: Carlos F Avenancio-León, Troup Howard**

**Abstract:** We document a nationwide “assessment gap” that leads local governments to place a disproportionate fiscal burden on racial and ethnic minorities. We show that holding taxing jurisdictions and property tax rates fixed, Black and Hispanic residents face a 10%–13% higher tax burden for the same bundle of public services. We decompose this disparity into between- and within-neighborhood components and find that just over half of it arises between neighborhoods. We then present evidence on mechanisms. Property assessments are less sensitive to neighborhood attributes than market prices are. This generates spatial variation in tax burden within jurisdiction and leads to overtaxation of communities with a high share of minority residents. We also find appeals behavior and appeals outcomes differ by race within neighborhood. Inequality does not arise from (i) racial differences in transaction prices or (ii) differences in features of the housing stock.

**4. Title: Dominant Currencies: How Firms Choose Currency Invoicing and Why it Matters**

**Authors: Mary Amiti, Oleg Itskhoki, Jozef Konings**

**Abstract:** We analyze how firms choose the currency of invoicing and the implications of this choice for exchange rate pass-through into export prices and quantities. Using a new data set for Belgian firms, we find currency invoicing to be an active firm-level decision, shaped by the firm’s size, exposure to imported inputs, and the currency choices of its competitors. Our results show that a firm’s currency choice, in turn, has a direct causal effect on the exchange rate pass-through into prices and quantities. Moreover, the differential price response of similar firms that invoice in different currencies is large, persists beyond a one-year horizon, and gradually wanes in the long run. This results in allocative expenditure-switching effects on export quantities, which build up over time, suggesting a role for quantity adjustment frictions in addition to price stickiness. Our findings shed light on the mechanisms that make or break a dominant currency and the consequences it has for the international transmission of shocks.

**5. Title: The Effects of Joining Multinational Supply Chains: New Evidence from Firm-to-Firm Linkages**

**Authors: Alonso Alfaro-Ureña, Isabela Manelici, Jose P Vasquez**

**Abstract:** We study the effects of becoming a supplier to multinational corporations (MNCs) using tax data tracking firm-to-firm transactions in Costa Rica. Event study estimates reveal that domestic firms experience strong and persistent gains in performance after supplying to a first MNC buyer. Four years after, domestic firms employ 26% more workers and have a 4% to 9% higher total factor productivity (TFP). These effects are unlikely to be explained by demand effects or changes in tax compliance. Moreover, suppliers experience a large drop in their sales to all other buyers except the first MNC buyer in the year of the event, followed by a gradual recovery. The dynamics of adjustment in sales to others suggests that firms face short-run capacity constraints that relax over time. Four years later, the sales to others grow by 20%. Most of this growth comes from the acquisition of new buyers, which tend to be “better buyers” (e.g., larger and with more stable supplier relationships). Finally, we collected survey data from domestic firms and MNCs to provide further insights into the wide-ranging benefits of supplying to MNCs. According to our surveys, these benefits range from better managerial practices to a better reputation.

**6. Title: Imports, Exports, and Earnings Inequality: Measures of Exposure and Estimates of Incidence**

**Authors: Rodrigo Adão, Paul Carrillo, Arnaud Costinot, Dave Donaldson, Dina Pomeranz**

**Abstract:** The earnings of individuals depend on the demand for the factor services they supply. International trade may therefore affect earnings inequality because either (i) foreign consumers and firms demand domestic factor services in different proportions than domestic consumers and firms do, an export channel; or (ii) domestic consumers and firms change their demand for domestic factor services in response to the availability of foreign goods, an import channel. Building on this idea, we develop new measures of export and import exposure at the individual level and provide estimates of their incidence across the earnings distribution. The key input fed into our empirical analysis is a unique administrative data set from Ecuador that merges firm-to-firm transaction data, employer-employee matched data, owner-firm matched data, and firm-level customs transaction records. We find that export exposure is pro-middle class, import exposure is pro-rich, and in terms of overall incidence, the import channel is the dominant force. As a result, earnings inequality in Ecuador is higher than it would be in the absence of trade.

**7. Title: Sovereign Bonds Since Waterloo**

**Authors: Josefin Meyer, Carmen M Reinhart, Christoph Trebesch**

**Abstract:** This article studies external sovereign bonds as an asset class. We compile a new database of 266,000 monthly prices of foreign-currency government bonds traded in London and New York between 1815 (the Battle of Waterloo) and 2016, covering up to 91 countries. Our main insight is that, as in equity markets, the returns on external sovereign bonds have been sufficiently high to compensate for risk. Real ex post returns average more than 6% annually across two centuries, including default episodes, major wars, and global crises. This represents an excess return of 3%–4% above US or UK government bonds, which is comparable to stocks and outperforms corporate bonds. Central to this finding are the high average coupons offered on external sovereign bonds. The observed returns are hard to reconcile with canonical theoretical models and the degree of credit risk in this market, as measured by historical default and recovery rates. Based on our archive of more than 300 sovereign debt restructurings since 1815, we show that full repudiation is rare; the median creditor loss (haircut) is below 50%.

**8. Title: Multinational Banks and Financial Stability**

**Authors: Christopher Clayton, Andreas Schaab**

**Abstract:** We study the scope for international cooperation in macroprudential policies. Multinational banks contribute to and are affected by fire sales in countries they operate in. National governments setting quantity regulations noncooperatively fail to achieve the globally efficient outcome, underregulating domestic banks and overregulating foreign banks. Surprisingly, noncooperative national governments using revenue-generating Pigouvian taxation can achieve the global optimum. Intuitively, this occurs because governments internalize the business value of foreign banks through the tax revenue collected. Our theory provides a unified framework to think about international bank regulations and yields concrete insights with the potential to improve on the current policy stance.

**9. Title: On the Effects of the Availability of Means of Payments: The Case of Uber**

**Authors: Fernando Alvarez, David Argente**

**Abstract:** We use three quasi-natural experiments in Mexico and one in Panama to estimate the effects of having the option to pay with cash on Uber rides. The ability to pay in cash affects the demand for rides, which is reflected in large changes in the total number of trips, fares, miles, and number of users after Uber introduced cash payments, particularly in lower-income city blocks. On the other hand, the effects on prices, estimated times of arrival, and competitor pricing are negligible, consistent with the supply of trips being very elastic. Although cash payments naturally increase the fraction of users that pay exclusively with cash, more than half of the users have access to both cards and cash, and alternate between payment methods. We find evidence consistent with cash and card payments being imperfectly substitutable at both the intensive and extensive margins, which magnifies the effect of policies that restrict the availability of payment methods.

**10. Title: Smart Matching Platforms and Heterogeneous Beliefs in Centralized School Choice**

**Authors: Felipe Arteaga, Adam J Kapor, Christopher A Neilson, Seth D Zimmerman**

**Abstract:** Many school districts with centralized school choice adopt strategy-proof assignment mechanisms to relieve applicants from needing to strategize based on beliefs about their own admissions chances. This article shows that beliefs about admissions chances shape choice outcomes even when the assignment mechanism is strategy-proof by influencing how applicants search for schools and that “smart matching platforms” that provide live feedback on admissions chances help applicants search more effectively. Motivated by a model in which applicants engage in costly search for schools and overoptimism can lead to undersearch, we use data from a large-scale survey of choice participants in Chile to show that learning about schools is hard, beliefs about admissions chances guide the decision to stop searching, and applicants systematically underestimate nonplacement risk. We use RCT and RD research designs to evaluate scaled live feedback policies in the Chilean and New Haven choice systems. Twenty-two percent of applicants submitting applications where risks of nonplacement are high respond to warnings by adding schools to their lists, reducing nonplacement risk by 58% and increasing test score value added at the schools where they enroll by 0.10 standard deviations. Reducing the burden of school choice requires not just strategy-proofness inside the centralized system but also choice supports for the strategic decisions that inevitably remain outside of it.

**11. Title: Predictable Effects of Visual Salience in Experimental Decisions and Games**

**Authors: Xiaomin Li, Colin F Camerer**

**Abstract:** Bottom-up stimulus-driven visual salience is largely automatic, effortless, and independent of a person’s “top-down” perceptual goals; it depends only on features of a visual stimulus. Algorithms have been carefully trained to predict stimulus-driven salience values for each pixel in any image. The economic question we address is whether these salience values help explain economic decisions. Our first experimental analysis shows that when people pick between sets of fruits that have artificially induced value, predicted salience (which is uncorrelated with value by design) leads to mistakes. Our second analysis uses evidence from games in which choices are locations in images. When players are trying to cooperatively match locations, predicted salience is highly correlated with the success of matching (r = .57). In competitive hider-seeker location games, players choose salient locations more often than predicted by the unique Nash equilibrium. This tendency creates a disequilibrium “seeker’s advantage” (seekers win more often than predicted in equilibrium). The result can be explained by level-k models in which predicted stimulus-driven salience influences level-0 choices and thereby influences overall perceptions, beliefs, and choices of higher-level players. The third analysis shows that there is an effect of visual salience in matrix games, but it is small and statistically weak. Applications to behavioral IO, price and tax salience, nudges and design, and visually influenced beliefs are suggested.

**12. Title: Hours and Wages**

**Authors:** **Alexander Bick, Adam Blandin, Richard Rogerson**

**Abstract:** We document two robust features of the cross-sectional distribution of usual weekly hours and hourly wages. First, usual weekly hours are heavily concentrated around 40 hours, while at the same time a substantial share of total hours come from individuals who work more than 50 hours. Second, mean hourly wages are nonmonotonic across the usual hours distribution, with a peak at 50 hours. We develop and estimate a model of labor supply to account for these features. The novel feature of our model is that earnings are nonlinear in hours, with the extent of nonlinearity varying over the hours distribution. Our estimates imply significant wage penalties for people who deviate from 40 hours in either direction, leading to a large mass of people who work 40 hours and are not very responsive to shocks. This has important implications for the role of labor supply as a mechanism for self-insurance in a standard heterogeneous-agent incomplete-markets model and for empirical strategies designed to estimate labor supply parameters.