

Statement of Research Interests

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My main research interests are in the fields of *macroeconomics*, *applied econometrics* and *international economics*. Recent advances in economic analysis have significantly expanded the set of available ingredients and theoretical tools which could be used to construct models of the aggregate economy. Yet, this has not allowed the existing models to provide a good empirical explanation of the observed macroeconomic outcomes. My main research goal is to develop such models.

During my graduate studies at UCLA I devoted a considerable amount of time mastering the most recent tools necessary for successful empirical analysis of macroeconomic models. This has allowed me to study extensively the empirical performance of labor search models in a general equilibrium framework.

In the paper “Labor Wedge as a Matching Friction”, co-authored with Paulina Restrepo-Echavarria we embed a standard labor search friction in a real business cycle model and explore the relative contribution of job creation and job destruction frictions to business cycle fluctuations. The empirical strategy based on Bayesian methods combined with a relatively general but simple modeling approach allows us not only to measure contributions of these different frictions but also establish that increases in job destruction are important at early stages of recessions, while job creation frictions slow down the recovery.

These results inspired a comprehensive analysis of the data on different labor market variables and allowed me to construct a labor search model able to match most of the observed fluctuations in unemployment, vacancies, job destruction, job creation, job finding rate, and wages using a single shock to labor productivity. My job market paper “Labor Matching Model: Putting the Pieces Together” describes the two key elements which are responsible for this remarkable increase in empirical performance: the job destruction margin and the dual structure of job creation costs.

The availability of an empirically plausible mechanism for labor market dynamics deepens our understanding of forces determining the length and severity of recessions and potentially enhances the ability of policymakers to improve the outcomes in the future. Understanding the forces driving labor market dynamics can not only help implement better labor market policies, but can also help explain international transmission of shocks. Introducing plausibly calibrated labor market frictions in an international context can potentially explain co-movements in production and consumption across countries. This is one of the areas of my future research.

An important feature of search and matching models is the potential multiplicity of equilibria due to a multiplicity of ways that match-specific rents can be split between workers and firms. A model

combining this labor market friction with endogenous variations in the degree of competition recently emphasized in the trade literature can provide an explanation of business cycles in the Schumpeterian spirit of creative destruction.

Another area of my future research is the search for an explanation of structural transformation in the US economy. The two leading explanations include differences in productivity growth across sectors and changes in their income elasticities over time. The main problem in the analysis of such models is the absence of a balanced growth path in multi-sector growth models. In a recent research project with Paulina Restrepo-Echavarria we present a unifying framework which allows us to quantify the importance of supply and demand mechanisms for structural transformation and see how these forces change over time. We find that preference shifts, not technological advances, are the main reason for the rapid expansion of services and the decline of the share of manufacturing in the US private sector in the last forty years.

My strategy of constructing a model which encompasses several leading explanations of an empirical phenomenon in a general equilibrium framework and then using powerful econometric techniques to shed light on the contributions and timing of these explanations can be applied to almost any puzzle in macroeconomics and international economics. It can significantly enhance our understanding of the behavior of an economy. This strategy will find a large number of applications apart from those I have already described and will become one of the leading empirical tools in macroeconomic analysis in the near future.