The Division of Unexpected Revenue Shocks

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Summary

- What is the effect of unexpected revenue shocks on:
  1. firm performance?
  2. worker compensation?
- Unexpected firm revenue: $WFE_{i,t} = \sum_{d,t}$ initial export sales $\times$ output gap
- Output gap: $GDP_{d,t} -$ Forecast GDP$_{d,t}$
- Main regression: $\Delta Y_{i,p} = \alpha \Delta WFE_{i,t} + \beta \Delta WFG_{i,t} + \gamma_{j,p} + \tau_{r,p} + \epsilon$
- Results:
  1. Firms benefit from the identified shocks, increasing sales …
  2. Skilled, "tenured" workers benefit in firms with better managers through overtime, bonuses
- Excellent and promising paper - it was a pleasure reading it!

Discussion

- Assumptions:
  - Firms use aggregates to estimate their demand
  - Symmetric reactions to positive or negative *forecast* shocks
- The link between firm performance and worker compensation:
  - Current growth forecast error and wage rigidity
  - Average wage of new hires vs. incumbent workers - B. Schoefer's JMP
- The missing analysis on financial variables:
  - Prudent managers should use assets to smooth out unexpected shocks
  - sd of investment = $10\times$ sd worker compensation
  - Shock absorption ability of dividends and debt

Questions and comments

- WFE:
  - Lagged sale shares
  - Current vs year-ahead forecast
  - What happens if Portugal is added as a destination? Including non-exporters?
  - The mean weighted forecast error is nonzero
- Methodology for comparing the relative importance of channels:
  - Decompose total sales to its components as the LHS variable
  - This would deal with the financial side and with the different volatility
- High paid workforce is high-skilled?
- Other channels, like RER