

Public Abstract

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Title:SECTOR-SPECIFIC SURPRISE AND NEWS SHOCKS

I estimate the decomposition of total factor productivity (TFP) shocks by two sectors: (a) investment and (b) consumption. I also identify sectoral shocks by the timing of shocks' realization, surprise shocks (unanticipated) and news shocks (anticipated), to investigate negative correlations among TFP in investment sector and macro variables. I find that surprise shocks to investment sector drive recession in short run. In contrast, positive comovements in response to TFP news shocks to investment sector immediately trigger economic boom. A two-sector DSGE (Dynamic Stochastic General Equilibrium) model confirms that price rigidity of investment goods is a key factor to generate the responses to the sector-specific TFP surprise shocks and news shocks as the empirical response: high rigidity for the surprise shocks and low rigidity for the new shocks. This result suggests that the model should adjust with the degree of the price rigidity depending on the surprise shocks or the news shocks.