Discussion of "The Aggregate Implications of Regional Business Cycles" by Martin Beraja, Erik Hurst, and Juan Ospina

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The immobility of wages and prices during the Great Recession was the result of driving forces that offset the forces that would otherwise have resulted in declines

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Then the paper uses scanner data from grocery stores to measure the cost of living

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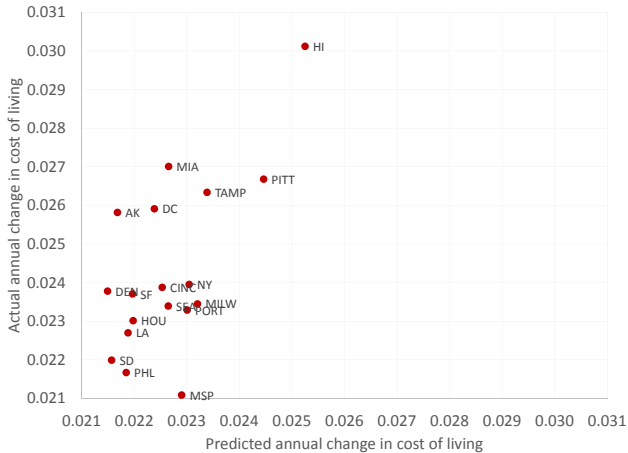
Useful to study the relation between the log-change of the overall CPI and the log-change of the food component of the CPI for the years from 2004 through 2014

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Regression to infer overall inflation from food inflation, 2004 through 2014

Constant	0.015
	(0.004)
Food inflation	0.27
	(0.15)
Adjusted R^2	0.083

INFERENCES BY METRO AREA

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The cost of living measured by the method in the paper seems likely to have a large amount of noise—the authors' belief that geographical CPI indexes are also unreliable means we have no handle on local price measurement

JOINT BEHAVIOR OF AGGREGATES

	Unemployment rate, percent	Price level	Wage index (ECI)	Real wage (ratio)
2007	4.6	207.3	105.5	0.509
2010	9.6	218.1	112.6	0.516
Gross change, percent	5.0	5.05	6.51	1.47
Benchmark annual growth rate, percent		2.83	3.28	0.45
Benchmark, percent		8.49	9.83	1.34
Change relative to benchmark		-3.44	-3.31	0.13
Per percentage point of unemployment increase		-0.69	-0.66	0.02
Paper's finding using state data		-0.46	-1.23	-0.77

GE model

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But a central phenomenon is missing: unemployment, even though unemployment is prominent in the measurement part of the paper

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No product demand driving force—unable to deal with strong evidence that bank stress caused a huge squeeze on households
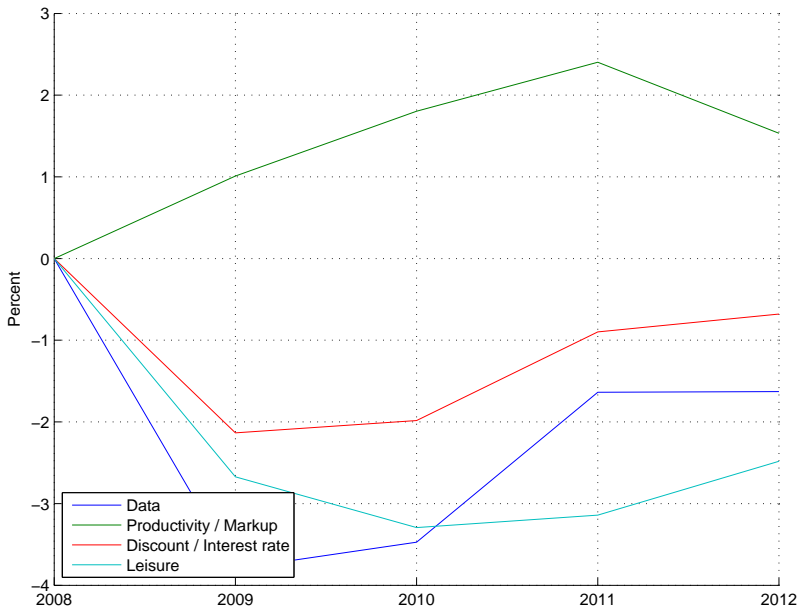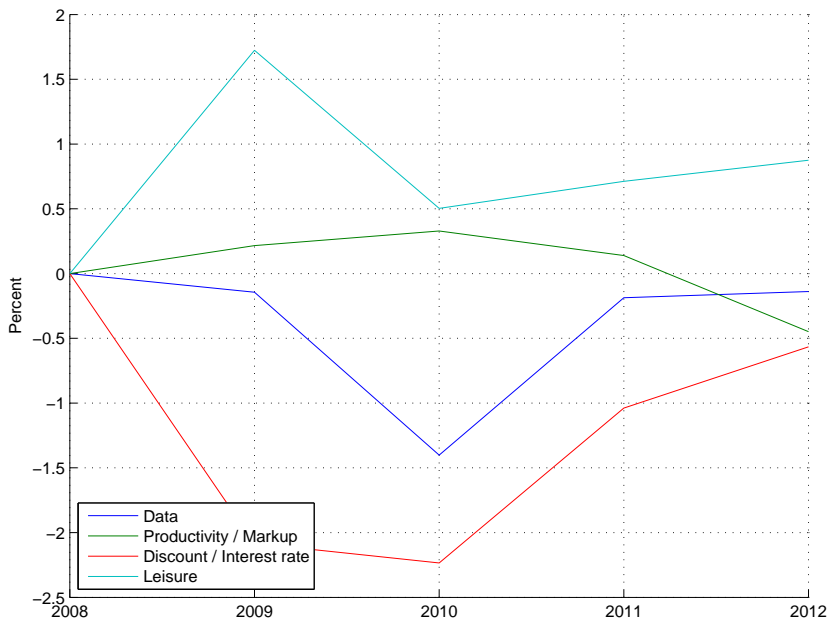
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EMPLOYMENT DECOMPOSITION
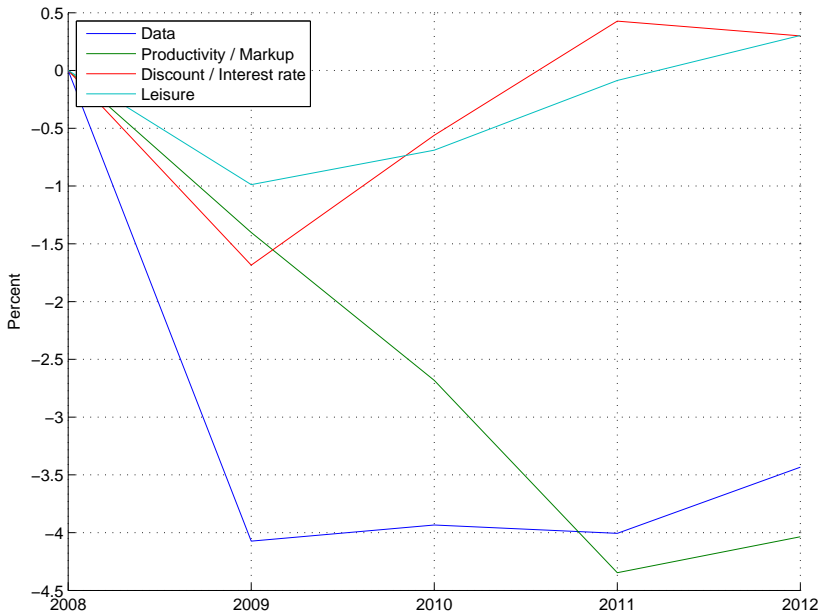
PRICE DECOMPOSITION

WAGE DECOMPOSITION

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Unemployment schizophrenia—it's a key indicator of labor-market conditions, but does not appear in the model

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