README file for the paper "Heterogeneous Effects of Monetary Policy on Job Flows Across Income, Race, Gender and Age" by Ester Faia, Ekaterina Shabalina, and David Wiczer

Overview

The code in this replication package constructs the analysis file from the three data sources (CPS data, Gorodnichenko and Weber (2016) and Bauer and Swanson (2023)) using Stata. The main file runs all of the code to generate Table 1 in the paper. The replicator should expect the code to run for about 10 minutes.

Data availability

All data are publicly available.

Data description

- CPS data

  Data was downloaded from IPUMS.

- Gorodnichenko and Weber shocks

- Bauer and Swanson shocks

- Inflation data

Dataset list

Data file	Source	Notes	Provided
MPshock_CPS.dta	IPUMS	As per terms of use	Yes
mp_shocks_1988_2019.csv			Yes
inflation.csv			Yes
FOMC_Bauer_Swanson.xlsx and bauer_swanson_shocks.dta			Yes

Computational requirements

The code was run using Stata 18. There is no randomness. The code takes less than 10 minutes on a standard laptop (4 cores Intel Core i7, 64-bit operating system, 32 GB RAM, Windows 10).

Description of programs/code

1. "3_EUsemielast_sex_race_age.do" – do-file that obtains all results.

2. “1_source” folder contains data files: for CPS data (MPshock_CPS.dta), for Gorodnichenko and Weber (2016) monetary policy shocks (mp_shocks_1988_2019.csv), for inflation (inflation.csv), for Bauer and Swanson (2023) shocks (in the folder “Bauer and Swanson” with the shocks themselves “FOMC_Bauer_Swanson.xlsx” and a readme-file for their paper).
3. “2_build” folder contains data file for Bauer and Swanson shocks in dta format “bauer_swanson_shocks.dta” and a folder “Tables” where all regression results are stored in tex-format.

Instructions for replication

1. To obtain the results in the paper, run the “3_EUsemielast_sex_race_age.do” do-file.

   Before doing that, please change global directories (lines 4-5) to the folder where the files are saved.

2. Excluding tables that show how datasets are matched, the first regression table computes Mincer wage residuals (not important for the results in this paper). The following three tables show insignificant results of sex, race, and age dummies interacted with monetary policy shocks (see footnote 3 in the paper). All other tables show results for monetary policy shocks interacted with income percentile and sex, race, and age dummies (triple interaction, for example, monetary policy shock x income percentile x sex dummy). Coefficients from those tables form Table 1 in the paper.

General comments outlining the structure of the do-file:

1. Lines 9-18 import inflation data.
2. Lines 20-34 import Gorodnichenko and Weber (2016) monetary policy shocks.
3. Lines 36-48 import CPS data and merge it with monetary policy shocks and inflation data.
4. Lines 50-94 clean the data and generate variables for wages and job market flows.
5. Lines 100-131 create additional variables (like race and age dummies).
6. Lines 133-195 run regressions for monetary policy shocks interacted with age, race, and sex dummies.
7. Lines 197-355 run regressions for monetary policy shocks interacted with income percentiles and age, race, and sex dummies (triple interaction).

References

Gorodnichenko, Yuriy and Michael Weber, “Are sticky prices costly? Evidence from the stock market,” American Economic Review, 2016, 106 (1), 165–99.

Bauer, Michael D., and Eric T. Swanson. 2023. "An Alternative Explanation for the "Fed Information Effect"." American Economic Review, 113 (3): 664-700.