

RESEARCH STATEMENT

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September 30, 2023

I am an applied theorist working in the areas of Macroeconomics and International Economics. Most of my work studies the macroeconomic consequences of various market imperfections—in the labor market, in the financial market, in the product market, and in nominal price setting—in economies with micro-level heterogeneity. My work often connects theory with detailed micro-level data to test and quantify theoretical mechanisms, with the empirical work closely guided by theory and a special focus on identification in the absence of exogenous variation at the macro level. My interests extend to both positive and normative implications of the theoretical mechanisms that I study.

My research interests broadly span three areas at the intersection of International Economics and Macroeconomics. The first is the interplay between globalization and labor markets (see papers [3-4],[9-10],[22] below for titles and coauthors). Specifically, I study how greater trade openness affects such labor market outcomes as unemployment and income inequality, as well as how the cross-country differences in the labor market institutions shape the countries' comparative advantage, and whether labor market imperfections hinder the ability of countries to gain from freer international trade. I am also interested in the optimal government policy response to increasing globalization, in particular when it results in greater income inequality and unemployment. To study these issues, we have developed a framework which integrates a frictional labor market into the recent generation of trade models with heterogeneous firms, and which captures the salient empirical patterns of wage variation across firms of different sizes and export status. We have used the employer-employee data to show that a dominant portion of wage inequality dynamics can be traced to firm dynamics, and to estimate the in order to quantify the effects of globalization on income inequality. We also show that the equity-efficiency trade-off has deteriorated over time, in part due to increased globalization, and the policy has systematically compromised equality to limit efficiency loss.

The second, and largest, area of my research interests is the study of currencies, international relative prices, terms of trade, exchange rates and exchange rate policies (see [1-2],[5-8],[13],[16-20],[23-25]). Understanding the forces that shape international relative prices is central for the design of macroeconomic policies in the open economy, and in particular for the management of the large global imbalances, as well as for the choice of the optimal exchange rate regime and the decision to join or form a currency union. Together with various coauthors, we have

studied both theoretically and empirically why firms make different choices regarding how often to adjust their domestic and international prices, and which currency to set their international prices in. We have also studied why large exporters adjust their export prices differently from smaller firms, why they systematically adopt different currency for pricing, and what role imports play in hedging the firms from exchange rate fluctuations. We show how the combination of these forces at the firm level contributes to the emergence of dominant currency in a global equilibrium.¹ On a more applied side, we have explored how the behavior of import and export prices has contributed to the international trade collapse during the Great Recession of 2008–09. Finally, we explore strategic interactions in price setting decisions across firms, and how they shape the competitive consequences of a trade liberalization or an exchange rate devaluation. The methodology developed in this work offers a non-structural way to estimate firm-level markup functions, an essential input into the quantification of increased market power.

The second part of the research agenda on exchange rates develops a theoretical and quantitative framework for modeling the general equilibrium behavior of exchange rates, and in particular its business cycle comovement (and the lack thereof) with macroeconomics and financial variables. Equilibrium exchange rate dynamics is a foundational topic in international macroeconomics, yet exchange rates present some of the most pervasive and challenging puzzles for macroeconomic models. The goal of this research agenda is twofold. First, it aims to offer a unifying theory of exchange rates that can simultaneously account for all its empirical properties without compromising on the model's ability to fit the business-cycle comovement of the other macroeconomic and financial variables. Second, this agenda seeks to re-evaluate conventional propositions about open economy policies and policy regimes using this framework as well as characterize the properties and implementation of optimal exchange rate policies.²

The third area of my research interests centers around the optimal design of macroeconomic, trade and development policies, in particular in open economies (see [7],[10],[12],[14-15],[21],[23-24]). We study the optimal government interventions in the product and input markets during different phases of economic development in economies with an imperfect financial market, and whether these optimal interventions can justify various policies often advocated in the policy discourse, such as real exchange devaluation, import substitution, and export promotion. We explore the relationship between current account imbalances and growth trajectories in the context of an endogenous growth model, and show current account deficits unambiguously favor non-

¹This work has recently been summarized in the [NBER Reporter, issue No. 1, March 2022](#).

²This part of my research agenda is described in detail in "Research Agenda: Exchange Rate Puzzles and Policies" in the [Economic Dynamics Newsletter, Volume 23, Issue 2, November 2022](#). [16] is the Annual Reviews article which summarizing both parts of the exchange rates agenda, emphasizing interactions between them. [Atkeson and Gopinath \(2023 JEP 37: 223-40\)](#) summarize this work and place it in the context of the broader literature.

tradable innovation and discourages the overall rate of innovation. We explore the implications of firm granularity at the sectoral-level for the patterns and dynamics of cross-country comparative advantage; we show that governments face strong incentives to target trade policy at large individual foreign exporters, and to use lenient antitrust regulation at home to substitute for beggar-thy-neighbor trade policy. We also study the equivalence of certain simple fiscal policies with nominal exchange rate devaluations in a general dynamic environment with nominal frictions and fixed exchange rate. Finally, we study the consequences and design of international sanctions.

Main publications and working papers

1. Gita Gopinath, Oleg Itskhoki and Roberto Rigobon (2010): "Currency Choice and Exchange Rate Pass-through," *American Economic Review*, March 2010, 100 (1): 304–336.
2. Gita Gopinath and Oleg Itskhoki (2010): "Frequency of Price Adjustment and Pass-through," *Quarterly Journal of Economics*, May 2010, 125 (2): 675–727.
3. Elhanan Helpman and Oleg Itskhoki (2010): "Labour Market Rigidities, Trade and Unemployment," *Review of Economic Studies*, July 2010, 77 (3): 1100–1137.
4. Elhanan Helpman, Oleg Itskhoki and Stephen J. Redding (2010): "Inequality and Unemployment in a Global Economy," *Econometrica*, July 2010, 78 (4): 1239–1283.
5. Gita Gopinath and Oleg Itskhoki (2011): "In Search of Real Rigidities," *NBER Macroeconomics Annual 2010*, D. Acemoglu and M. Woodford, eds, May 2011, V. 25: 261–309.
6. Gita Gopinath, Oleg Itskhoki and Brent Neiman (2012): "Trade Prices and the Global Trade Collapse of 2008–09," *IMF Economic Review*, September 2012, 60 (3): 303–328.
7. Emmanuel Farhi, Gita Gopinath and Oleg Itskhoki (2014): "Fiscal Devaluations," *Review of Economic Studies*, April 2014, 81 (2): 725–760.
8. Mary Amiti, Oleg Itskhoki and Jozef Konings (2014): "Importers, Exporters and Exchange Rate Disconnect," *American Economic Review*, July 2014, 104 (7): 1942–1978.
9. Elhanan Helpman, Oleg Itskhoki, Marc-Andreas Muendler and Stephen J. Redding (2017): "Trade and Inequality: From Theory to Estimation," *Review of Economic Studies*, January 2017, 84(1): 357–405.
10. Pol Antràs, Alonso de Gortari and Oleg Itskhoki (2017): "Globalization, Inequality and Welfare," *Journal of International Economics*, September 2017, 108: 387–412.
11. Omar Barbiero, Emmanuel Farhi, Gita Gopinath and Oleg Itskhoki (2019): "The Macroeconomics of Border Taxes," *NBER Macroeconomics Annual 2018*, May 2019, Jonathan Parker and Martin S. Eichenbaum, eds., University of Chicago Press, Volume 33: 395–457.

12. Oleg Itskhoki and Benjamin Moll (2019): "Optimal Development Policies with Financial Frictions," *Econometrica*, January 2019, 87(1): 139–173.
13. Mary Amiti, Oleg Itskhoki and Jozef Konings (2019): "International Shocks, Variable Markups and Domestic Prices," *Review of Economic Studies*, November 2019, 86(6): 2356–2402.
14. Cecile Gaubert and Oleg Itskhoki (2021): "Granular Comparative Advantage," *Journal of Political Economy*, March 2021, 129(3): 871–939.
15. Cecile Gaubert, Oleg Itskhoki and Maximilian Vogler (2021): "Government Policies in a Granular Global Economy," *Journal of Monetary Economics*, July 2021, Volume 121: 95–112.
16. Oleg Itskhoki (2021): "The Story of the Real Exchange Rate," *Annual Review of Economics*, August 2021, Volume 13: 423–455.
17. Oleg Itskhoki and Dmitry Mukhin (2021): "Exchange Rate Disconnect in General Equilibrium," *Journal of Political Economy*, August 2021, 129(8): 2183–2232.
18. Gita Gopinath and Oleg Itskhoki (2022): "Dominant Currency Paradigm: A Review," *Handbook of International Economics*, April 2022, Volume 6, Chapter 2: 45–90. Eds: G.Gopinath, E.Helpman, K.Rogoff. Elsevier.
19. Mary Amiti, Oleg Itskhoki and Jozef Konings (2022): "Dominant Currencies: How firms choose currency invoicing and why it matters," *Quarterly Journal of Economics*, August 2022, 137(3): 1435–93.
20. Oleg Itskhoki and Dmitry Mukhin (2022): "Mussa Puzzle Redux," NBER Working Paper No. 28950. R&R at *Econometrica*.
21. Markus Brunnermeier, Pierre-Olivier Gourinchas and Oleg Itskhoki (2018): "Consumption-led Growth," working paper.
22. Ekaterina Gurkova, Elhanan Helpman and Oleg Itskhoki (2023): "Trade Liberalization, Wage Rigidity, and Labor Market Dynamics with Heterogeneous Firms," working paper.
23. Oleg Itskhoki and Dmitry Mukhin (2022): "Sanctions and the Exchange Rate," April 2022, NBER Working Paper No. 30009.
24. Oleg Itskhoki and Dmitry Mukhin (2023): "Optimal Exchange Rate Policy," working paper.
25. Mikhail Chernov, Valentin Haddad and Oleg Itskhoki (2023): "What do financial markets say about the exchange rate?" working paper.