



COLLOQUIUM

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Stock Price Fluctuations and Productivity Growth

Friday November 15th at 3pm in RT 1516

Bio: Dr. Ngo is an Associate Professor in the Department of Economics at Cleveland State University. His research is focused on Macro/Monetary Economics, Development, Computational Economics, and Econometrics. He received his Ph.D. in Economics from Boston University in 2013, which lead directly to his position at CSU. Dr. Ngo currently serves as the graduate program director in the Department of Economics. His recent awards include a Golden Apple Award in 2019 and a 2019 CLASS Excellence in Scholarship Award.

Abstract: We study the relationship between stock prices and fluctuations in total-factor productivity (TFP). We document a strong predictability of lagged stock price growth on future TFP growth at medium horizons. To explore the sources of this co-movement, we develop a one-sector real business model augmented to allow for (i) endogenous technology through R&D and adoption, and (ii) exogenous shocks to the risk premium. Model simulations produce predictability patterns quantitatively similar to the data. A version of the model with exogenous technology produces no predictability of TFP growth. Decomposing historical TFP, we show that the predictability uncovered in the data is fully driven by the endogenous component of TFP. This finding suggests that fluctuations in risk premia impact TFP growth through their effect on the speed of technology diffusion instead of responding to exogenous fluctuations in future TFP.

Refreshments at 2:30pm in RT 1517