

Yrjö Jahnsson Award in Economics 2021

Ricardo Reis and Silvana Tenreyro have both made important contributions to macroeconomics. This includes work on monetary economics, on inequality and macroeconomic outcomes, on fiscal policy and automatic stabilizers, and currency unions. Their work has had deep impact on macroeconomics and they have each individually also made important contributions to other fields.

Ricardo Reis was an early innovator in terms of introducing “sticky information” into macroeconomic modelling. In individual work and joint work with Gregory Mankiw, he pursued the idea that agents in the economy may be inattentive and face costs of acquiring and processing information that would allow them to adjust optimally to shocks to the economy. Through such inattentiveness, information spreads gradually through the economy helping explain a number of phenomena such as “excess sensitivity” and “excess smoothness” of consumption, and various aspects of inflation dynamics. In collaboration with Alisdair McKay, Reis has examined the impact of taxes and transfers as a source of automatic stabilizers in economies characterized by financial market incompleteness and frictions in price setting (HANK models). He has made other contributions to the field including important work on financial frictions and central bank design and policies.

Silvana Tenreyro has made important contributions respectively to monetary economics, macro development, and international economics. On the first subject, she devised new strategies to identify the role of nominal wage rigidity in monetary policy’s impact on economic activity. On the second topic, she produced seminal papers which illuminate the relationship between volatility and development, as well as their interaction with trade. One unifying idea underlying this work, is that both technological change and international trade help countries diversify macroeconomics shocks. On the third subject, in joint work with J.M.C. Santos Silva, Silvana has made a path-breaking methodological contribution which has changed the way trade empiricists estimate gravity equations. Her PPML method is now the standard method to estimate and interpret these equations. Another important line of work has stressed the importance of durables and investment matter for the conduct and impact of monetary policy as well as the links between wage contract staggering and monetary policy effectiveness.