Macroeconomic and Asset Pricing Effects of Supply Chain Disasters

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We build a general equilibrium production-based asset pricing model with heterogeneous firms that jointly accounts for firm-level and aggregate facts emphasized by the recent macroeconomic literature, and for important asset pricing moments. Using administrative firm-level data, we establish empirical properties of large negative idiosyncratic shocks and their evolution. We then demonstrate that these shocks play an important role for delivering both macroeconomic and asset pricing predictions. Finally, we combine our model with data on the universe of U.S. seaborne import since 2007, and establish the importance of supply chain disasters for the cross-section of asset prices.

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