Tamás K. Papp

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Appointments

Researcher, Macroeconomics and Economic Policy Group
(formerly Department of Economics), IHS — Sep 2009–present

Education

Princeton University, PhD in Economics	2009
Princeton University, MA in Economics	2006
Budapest University of Economics, MA in Economics and Finance (with honors)	2004

Fields of interest

Macroeconomics, Labor markets and search frictions, Bayesian econometrics, Numerical methods

Publications

"Frictional wage dispersion with Bertrand competition: an assessment."
Review of Economic Dynamics, 2013.
I examine whether a version of the Cahuc et al (2006) model can match the magnitude of wage dispersion, as measured by the ratio of the average and the lowest wage — the so-called *mean-min ratio* of Hornstein et al (2012). I find that the workers' bargaining power is a crucial parameter: the mean-min ratio strictly decreases in the bargaining power up to a point near 1/2 and is essentially flat thereafter, generating the same amount of wage dispersion as the canonical wage ladder model, which is a special case of the CPVR model. Consequently, this model can yield large wage dispersion only for low bargaining power on the workers' side. I show that the share of job-to-job transitions with wage drops is decreasing in the bargaining power, calibrate the latter to the former, and demonstrate that the CPVR model generates an empirically plausible amount of wage dispersion. I also show that negative wages arise when workers have no bargaining power, and discuss the implications for the empirical findings of Postel-Vinay and Robin (2002).

Working papers

"Determinants of Couples' Time-Allocation"
joint with Almut Balleer and Monika MERZ
We specify a structural model of the household that relies on non-cooperative game theory, capturing the strategic interactions in partners' decisions to allocate the available time between leisure, home work, and market work in addition to and in interaction with individual labor supply. We estimate the model using German time-use survey (ZBE) from 2001/02 and 2012/13, using Bayesian methods. We investigate whether it is gender-specific differences in preferences or the gender

wage-gap that help explain empirically observed patterns of time-use and their changes over time. We use labor income tax rates from the OECD to study the role of the tax system for couples' time allocation, including their total labor supply. Second, we exploit information for married and cohabiting couples in order to explore the role of commitment for partners' specialization within a household.2 Our setup can be extended to allow for children in the family, e.g., by modeling children as a public good. Parents can invest financial resources or available time in the form of childcare. This model version can help determine the quantitative impact of a regular public money transfer to all parents per child – the so-called Kindergeld – on the intra-household time allocation.

"The structure of labor market flows"
We show that a general class of frictional labor market models with a participation margin and an individual-specific state can only match labor market transition rates within a certain range, which we characterize analytically. Transition rates in the data are outside the range the model can match, which explains the failure of previous papers to calibrate to these flows. We also examine whether extending the model can bring it closer to the data, and find that endogenous search intensity and state-dependent separation rates do not help, but misclassification, persistently inactive workers, and modifications of the productivity process such as learning on the job can match the gross flows.

"Consistent local approximation in continuous time"
Analysis of the approximation method of Den Haan, Kobielarz, and Rendahl (2015) and Levintal (2016), applied to the deterministic Ramsey model in continuous time. I show that while the method is easy to set up, solving the nonlinear system requires nontrivial methods for even a simple system, and once solved, the resulting residuals of the Euler equation are large compared to collocation methods, but still small enough in absolute magitude to make the model useful in practice, especially for making an initial guess about functional forms in collocations methods.

"Accounting for the Cyclical Volatility of Wages"
joint with Alisdair McKay.
We demonstrate that wage volatility, measured as the cross-sectional variance of wage changes in PSID data, is counter-cyclical. We quantify this relationship by estimating the re- gression coefficient of wage volatility on the national unemployment rate in a multilevel Bayesian model, then decompose this coefficient into three main factors. During a recession, wage volatil- ity increases substantially among those workers experiencing spells of unemployment: the cycli- cal changes in the variance within this group explain about 55% of the cyclical variation in wage volatility. The variance within the group not experiencing unemployment explains 18%. Finally, an increase in the fraction of workers experiencing unemployment explains 25%. We show that a calibrated search-and-matching model of the labor market with on-the- job search gives a good account of the cyclical variation in idiosyncratic wage risk among those experiencing unemployment and of the composition effect over the business cycle. We show that in our model, this result is driven mostly by fluctuations of the reservation wage in response to labor market conditions.

Presentations

2016 — EALE (Ghent)

2015 — ESSIM (Tarragona), EEA (Mannheim), Conference in honor of Christopher Pissarides (Paris)

2014 — Search and matching conference (Edinburgh)

2013 — European Summer Symposium in International Macroeconomics (Ismir)

2012 — SED (Cyprus), European Workshop in Macroeconomics (Vienna), New Developments in the Macroeconomics of Labor Markets (Richmond)

2011 — NORMAC (Smögen), Labor Market Institutions and the Macroeconomy (Nürnberg), CESifo Conference on Macroeconomics and Survey Data (München)

2010 — Federal Reserve Bank of Richmond

2009 — Federal Reserve Bank of Richmond, Centro de Estudios Monetarios y Financieros (Madrid), Institut für Höhere Studien, Centre de Recerca en Economia Internacional (Barcelona), London School of Economics, University of Cambridge, Institute for International Economic Studies (Stockholm), University of Amsterdam

Professional activities

Referee: Macroeconomic Dynamics, Labor Economics, European Economic Review

Google Summer of Code: mentor for Dorisz Albrecht (2017), Julia Organization

Grants

2017 — Jubiläumsfonds grant (17378) of the Austrian National Bank

2015 — Jubiläumsfonds grant (16256) of the Austrian National Bank

2012 — Jubiläumsfonds grant (40516) of the Austrian National Bank

Teaching experience

Institute for Advanced Studies (IHS)

Dynamic Optimization II: Numerical methods (Graduate Core), 2017

Macroeconomics II (Graduate Core), Spring 2012, 2013, 2014, 2015, 2016

Macroeconomics III (Graduate Core), Fall 2009, 2010, 2011

Computational Methods (Graduate Core), 2009–2014

Central European University (CEU)

Advanced Macroeconomics (graduate), 2013

Princeton University

Macroeconomics II (Graduate Core), Teaching Assistant to Christopher Sims

Money and Banking, Fall 2008, Teaching Assistant to Nobuhiro Kiyotaki

Macroeconomics: a mathematical approach, Spring 2008, Teaching Assistant to Noah Williams

Money and Banking, Fall 2007, Teaching Assistant to Nobuhiro Kiyotaki

Macroeconomics, Spring 2007, Teaching Assistant to Per Krusell

Macroeconomics (Graduate Core), Fall 2006, Teaching Assistant to Per Krusell and Noah Williams

Budapest University of Economics, Department of Mathematics

Mathematical Analysis, 2002–2004, Teaching Assistant

Linear Algebra, 2002–2004, Teaching Assistant

Honors and awards

Sveriges Riksbank Summer Research Fellowship, 2008 summer
IIES Stockholm, Visiting Researcher, 2008 summer
International Economics Section Summer Fellowship, Princeton University, 2006 summer
Princeton University Graduate School Fellowship, 2004–2008
Princeton University Graduate School Summer Fellowship, 2004–2008
Republic of Hungary Fellowship, 2000–2004, renewed three times
Fellow of the Invisible College (Hungary), 2001–2004

Languages

English: fluent, Hungarian: native, Spanish: intermediate, German: basic

IT / programming skills

Julia, LaTeX, Common Lisp, R, C/C++, Git, Docker, general Linux administration