

The American Economic Review

ARTICLES

CHEN YEH, CLAUDIA MACALUSO, AND BRAD HERSHBEIN

Monopsony in the US Labor Market

NEELE BALKE AND THIBAUT LAMADON

Productivity Shocks, Long-Term Contracts, and Earnings Dynamics

MARYAM FARBOODI AND PÉTER KONDOR

Heterogeneous Global Booms and Busts

ALEXIS ANTONIADES, ROBERT C. FEENSTRA, AND MINGZHI (JIMMY) XU

Using the Retail Distribution of Sellers to Impute Expenditure Shares

KIRBY NIELSEN AND JOHN REHBECK

When Choices Are Mistakes

FRANCESCO BIANCHI, SYDNEY C. LUDVIGSON, AND SAI MA

Belief Distortions and Macroeconomic Fluctuations

MARIA JONES, FLORENCE KON DY LIS, JOHN LOESER, AND JEREMY MAGRUDER

Factor Market Failures and the Adoption of Irrigation in Rwanda

RICARDO J. CABALLERO AND ALP SIMSEK

Monetary Policy with Opinionated Markets

KYLE R. MYERS AND LAUREN LANAHAN

Estimating Spillovers from Publicly Funded R&D: Evidence from the US Department of Energy

HUNT ALLCOTT, MATTHEW GENTZKOW, AND LENA SONG

Digital Addiction

JULY 2022

THE AMERICAN ECONOMIC ASSOCIATION

Founded in 1885

- Typeset by American Economic Association Publications, Pittsburgh, Pennsylvania, USA

- Printed at Lakeside Book Company, Owensville, Missouri, USA

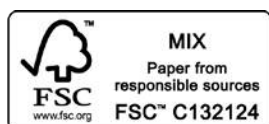
- Registered in the US Patent and Trademark Office®

- Copyright© 2022 by the American Economic Association. Permission to make digital or hard copies of part or all of American Economic Association publications for personal or classroom use is granted without fee provided that copies are not distributed for profit or direct commercial advantage and that copies show this notice on the first page or initial screen of a display along with the full citation, including the name of the author. Copyrights for components of this work owned by others than AEA must be honored. Abstracting with credit is permitted. The author has the right to republish, post on servers, redistribute to lists and use any component of this work in other works. For others to do so requires prior specific permission and/or a fee. Permissions may be requested from the American Economic Association, 2014 Broadway, Suite 305, Nashville, TN 37203.

- No responsibility for the views expressed by authors in this *Review* is assumed by the editors or the publishers, The American Economic Association.

Correspondence relating to advertising, business matters, permissions to quote, back issues, subscriptions, and changes of address, should be sent to the American Economic Association, 2014 Broadway, Suite 305, Nashville, TN 37203. Change of address notice must be received at least six (6) weeks prior to the publication month. A membership or subscription paid twice is automatically extended for an additional year unless otherwise requested.

THE AMERICAN ECONOMIC REVIEW (ISSN 0002-8282), July 2022, Vol. 112, No. 7. The *AER* is published 12 times a year by the American Economic Association, 2014 Broadway, Suite 305, Nashville, TN 37203. Annual fees for regular membership are: \$24.00, \$34.00, or \$44.00, depending on income; for an additional fee, you can receive this journal, or any of the Association's journals, in print. Further information on subscriptions and the American Economic Association can be found at www.vanderbilt.edu/AEA/. Periodical postage paid at Nashville, TN and at additional mailing offices. POSTMASTER: Send address changes to *The American Economic Review*, 2014 Broadway, Suite 305, Nashville, TN 37203. Printed in the USA.



EXECUTIVE COMMITTEE

Elected Officers and Members

President

CHRISTINA D. ROMER, University of California, Berkeley

President-elect

SUSAN C. ATHEY, Stanford University

Vice Presidents

DAVID H. AUTOR, Massachusetts Institute of Technology

CAROLINE H. HOXBY, Stanford University

Members

AMANDA BAYER, Swarthmore College

SANDRA E. BLACK, Columbia University

LISA D. COOK, Michigan State University

MELISSA S. KEARNEY, University of Maryland

EMI NAKAMURA, University of California, Berkeley

MELVIN STEPHENS, JR., University of Michigan

Ex Officio Members

DAVID CARD, University of California, Berkeley

Appointed Members

Editor, The American Economic Review

ESTHER DUFLO, Massachusetts Institute of Technology

Editor, The American Economic Review: Insights

AMY FINKELSTEIN, Massachusetts Institute of Technology

Editor, The Journal of Economic Literature

DAVID H. ROMER, University of California, Berkeley

Editor, The Journal of Economic Perspectives

HEIDI WILLIAMS, Stanford University

Editor, American Economic Journal: Applied Economics

BENJAMIN OLKEN, Massachusetts Institute of Technology

Editor, American Economic Journal: Economic Policy

ERZO F.P. LUTTMER, Dartmouth College

Editor, American Economic Journal: Macroeconomics

SIMON GILCHRIST, New York University

Editor, American Economic Journal: Microeconomics

LEEAT YARIV, Princeton University

Secretary-Treasurer

PETER L. ROUSSEAU, Vanderbilt University

OTHER OFFICERS

Director of AEA Publication Services

ELIZABETH R. BRAUNSTEIN

Counsel

LAUREN M. GAFFNEY, Bass, Berry & Sims PLC
Nashville, TN

ADMINISTRATORS

Director of Finance and Administration

BARBARA H. FISER

Convention Manager

GWYN LOFTIS

THE AMERICAN ECONOMIC REVIEW

July 2022

VOLUME 112, NUMBER 7

Articles

- Monopsony in the US Labor Market
Chen Yeh, Claudia Macaluso, and Brad Hershbein 2099
- Productivity Shocks, Long-Term Contracts, and Earnings Dynamics
Neele Balke and Thibaut Lamadon 2139
- Heterogeneous Global Booms and Busts
Maryam Farboodi and Péter Kondor 2178
- Using the Retail Distribution of Sellers to Impute Expenditure Shares
Alexis Antoniadou, Robert C. Feenstra, and Mingzhi (Jimmy) Xu 2213
- When Choices Are Mistakes
Kirby Nielsen and John Rehbeck 2237
- Belief Distortions and Macroeconomic Fluctuations
Francesco Bianchi, Sydney C. Ludvigson, and Sai Ma 2269
- Factor Market Failures and the Adoption of Irrigation in Rwanda
Maria Jones, Florence Kondylis, John Loeser, and Jeremy Magruder 2316
- Monetary Policy with Opinionated Markets
Ricardo J. Caballero and Alp Simsek 2353
- Estimating Spillovers from Publicly Funded R&D: Evidence from the US Department of Energy
Kyle R. Myers and Lauren Lanahan 2393
- Digital Addiction
Hunt Allcott, Matthew Gentzkow, and Lena Song 2424

Information on how to submit a manuscript is available online:
<https://www.aeaweb.org/aer/submissions.php>

It is the policy of the *American Economic Review* to publish papers only if the data used in the analysis are clearly and precisely documented and are readily available to any researcher for purposes of replication. Details of the computations sufficient to permit replication must be provided. The Editor should be notified at the time of submission if the data used in a paper are proprietary or if, for some other reason, the requirements above cannot be met.

REBECCA M. BLANK

DISTINGUISHED FELLOW

2021

Rebecca M. Blank, President of Northwestern University and formerly Chancellor of the University of Wisconsin–Madison, has made important contributions to economic scholarship, held key positions in the executive branch of the US federal government, and served as a leader of elite academic institutions.

Blank is a labor economist, who has conducted significant research in the study of labor supply, unemployment, the role of gender and race in labor markets, and inequality more broadly. She is particularly well known for seminal research on poverty, including many insightful analyses of public policies designed to reduce poverty or ameliorate the impact of poverty. In particular Blank has authored several papers on the impact of US welfare reform on labor supply, fertility, and well-being. She has authored and edited several notable books on inequality and poverty, including *Changing Inequality* (University of California Press 2011), *Finding Jobs: Work and Welfare Reform*, coedited with David Card (Russell Sage 2000), and *It Takes a Nation: A New Agenda for Fighting Poverty* (Princeton University Press 1997). The latter book was awarded the 1997 Richard A. Lester Prize for Outstanding Book in Labor Economics and Industrial Relations. Additional work by Blank addressed the measurement of discrimination, *Measuring Racial Discrimination* (National Academy Press 2004).

Blank's contributions in the public sector are exceptional, as are her accomplishments in academic administration. She served in the Clinton administration, as a member of the Council of Economic Advisers, and held key positions in President Obama's US Department of Commerce: Under Secretary for Economic Affairs, Deputy Secretary of Commerce, and Acting Secretary Commerce. In addition to her role as Chancellor of the University of Wisconsin–Madison (a position she held from 2013 to 2022), Blank's academic administrative responsibilities include Codirector of the Northwestern/University of Chicago Interdisciplinary Training Program in Poverty, Race, and Underclass Issues (1991–1996); Dean of the Gerald R. Ford School of Public Policy at the University of Michigan (1999–2007); and Codirector of the National Poverty Center (2002–2008). She is a member of several boards, including the Board of Governors of the National Collegiate Athletic Association (NCAA). She became President of Northwestern University in 2022.

Among Blank's many awards are the 1993 David Kershaw Prize and the 2015 Exemplar Award, both awarded by the Association of Public Policy Analysis and Management, and the 2015 Daniel Patrick Moynihan Prize from the American Academy of Political and Social Science (AAPSS). She was named the 2010 Eleanor Roosevelt Fellow of the AAPSS, and she has been elected to other leading honorific societies, including the American Academy of Arts and Sciences, the Society of Labor Economists and the National Academies of Sciences. She holds a BS in economics from the University of Minnesota (1976) and PhD in economics from MIT (1983).



REBECCA M. BLANK

THE AMERICAN ECONOMIC REVIEW

Editor

Esther Dufo

Coeditors

Isaiah Andrews
Sylvain Chassang
Arnaud Costinot
Stefano DellaVigna
Jeffery Ely
John Friedman
Mikhail Golosov
Rema Hanna
Chinhui Juhn
Emi Nakamura
Pietro Ortoleva
Katja Seim

Board of Editors

Nageeb Ali
Manuel Amador
David Atkin
Ned Augenblick
Eduardo Azevedo
Martha Bailey
Heski Bar-Isaac
Daniel Benjamin
Aislinn Bohren
Leah Boustan
Yann Bramoulle
Gabriel Carroll
Alessandra Casella
Arun Chandrasekhar
Aimee Chin
Gordon Dahl
Geoffroy De Clippel
Mark Dean
Matthias Doepke
Georgy Egorov
Ying Fan
Patrick Francois
Simone Galperti
Daniel Gottlieb

Eric Gould
Paul Grieco
Michael Grubb
Marina Halac
Joshua Hausman
Jean-Francois Houde
Nagore Iriberry
Oleg Itskhoki
Kelsey Jack
Sebnem Kalemli-Ozcan
Loukas Karabarbounis
Fuhito Kojima
Botond Köszegi
Qingmin Liu
Guido Lorenzoni
Jens Ludwig
Filip Matejka
Ellen McGrattan
Alisdair McKay
Karel Mertens
Moritz Meyer-Ter-Vehn
Ryan Oprea
Juan Ortner
Amanda Pallais

Antonio Penta
Eduardo Perez-Richet
Ronny Razin
James Roberts
Esteban Rossi-Hansberg
Emmanuel Saez
Vasiliki Skreta
Kathryn Spier
Johannes Spinnewijn
Charles Sprenger
Jakub Steiner
Bruno Strulovici
Tomasz Strzalecki
Justin Sydnor
Alireza Tahbaz-Selehi
Olivier Tercieux
Jusso Toikka
Francesco Trebbi
Alekh Tsyvinski
John Van Reenen
Nico Voigtlander
Jeff Wooldridge
Pierre Yared

Managing Editor

Steven M. Stelling

Assistant Managing Editor

Ariana Mapua

Editorial Offices

2403 Sidney Street, Suite 260, Pittsburgh, PA 15203

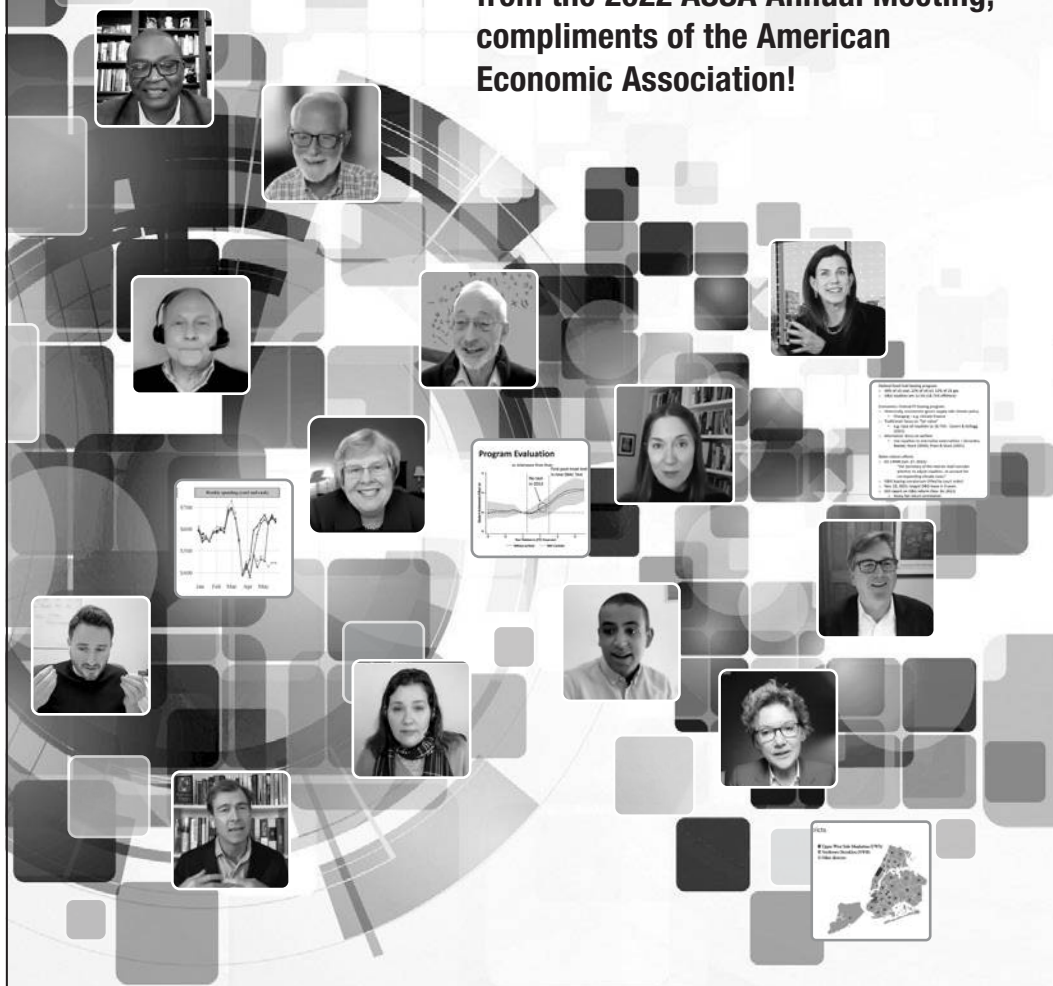
Phone: 412-432-2300, Fax: 412-431-3014

email: aerinfo@aeapubs.org

<http://www.aeaweb.org/aer/>

Did you miss a session at the ASSA Annual Meeting?

View videos of over 140 AEA sessions from the 2022 ASSA Annual Meeting, compliments of the American Economic Association!



Research on a wide variety of economics topics presented by speakers from all areas of the discipline.

Engaging topics cover U.S. monetary policy, U.S. climate policy, U.S. inflation outlook and policy response, unemployment insurance, educational inequities, and many other current areas of research.

Special presentations include the AEA Distinguished Lecture, the AEA Presidential Address and AEA Awards Ceremony, and the Nobel Lecture honoring the 2020 laureates.



View sessions at
www.aeaweb.org/conference/2022/aea-session-recordings