

NBER's 41st Macroeconomics Annual Conference, held on April 16–17, 2026, in Cambridge, Massachusetts.

Organizers: John Leahy (University of Michigan and NBER), Valerie Ramey (Hoover Institution, NBER, and CEPR), and Gianluca Violante (Princeton University and NBER)

Editorial: Valerie Ramey and Gianluca Violante

We wish to pay tribute to our co-organizer, friend, and valued colleague, John Leahy, who passed away suddenly in December 2025. John was a delightful colleague – his mix of wit and keen economic insights made our brainstorming sessions lively and intellectually inspiring. He was an integral part of our 2026 conference planning team: he brainstormed with us and helped choose the papers and discussants. Because of his untimely passing, he was unable to attend the conference or see the final papers. Thus, this editorial to the conference volume was written by the two of us alone. At the end of the first day of the conference, Mark Gertler offered a heartfelt remembrance of John, his long-time colleague and friend. We dedicate this volume to John Leahy.

The NBER's 41st Annual Conference on Macroeconomics brought together leading scholars to present, discuss, and debate six research papers on central issues in contemporary macroeconomics. This conference volume contains edited versions of the six papers presented at the conference, each followed by two written discussions by leading scholars and a summary of the debates that followed each paper.

The steady rise of debt-to-GDP ratios in advanced countries during the last twenty-five years has raised questions about debt sustainability. Japan's debt ratio has been above 200 percent for many years without a debt crisis or inflation, so a common response to debt sustainability worries has been "What About Japan?" Yi-Li Chien, Harold L. Cole, and Hanno Lustig set out to answer this question in their eponymously titled paper. By standard measures, Japan would appear to have a debt sustainability problem because its growth rate has been lower than its interest rate. The authors uncover Japan's secret by consolidating the balance sheets of the Bank of Japan with those of other government entities and examining their composition. They discover that the Japanese government has arranged its consolidated balance sheet so that

the annual excess return on its assets over its liabilities is an astounding 6 percent of GDP. It has achieved these excess returns, however, by taking on currency and interest rate risk on its assets and using financial repression to dampen the returns it pays to Japanese households. These excess returns go far toward explaining how Japan can sustain such a high debt-to-GDP ratio. The policy, however, has negative welfare effects for Japanese households, especially younger and less financially literate ones. Moreover, with the continued normalization of Japan's monetary stance, the authors predict that it will become more difficult for the Japanese government to sustain the high excess returns in the future.

Both discussants commend the authors' convincing documentation of the role of high excess returns in sustaining the high debt in Japan so far. Takeo Hoshi studies the authors' arguments in a standard debt dynamics framework and highlights the difference between solving the debt dynamics equation backward versus forward. The authors solve it backward, which is appropriate for understanding how Japan managed to sustain such a high debt ratio. Hoshi argues, however, that the forward solution is the relevant one for considering the situation going forward. The forward solution shows the standard requirements for sustainability when starting with high debt: sizable future primary surpluses. Hoshi agrees with the authors that harvesting excess returns will be more difficult in the future. Cristina Arellano expands on the authors' analysis by considering a general equilibrium perpetual youth model with New Keynesian elements to understand the sources of the return differentials. She argues that the excess returns can be a result of the convenience, or liquidity benefits, of government debt rather than financial repression. She also uses the model to show how consumption and inflation depend on net debt rather than the gross debt that is the focus of the authors' analysis.

In "Macroeconomic and Fiscal Consequences of Quantitative Easing," Tobias Adrian, Christopher Erceg, Marcin Kolasa, Jesper Lindé, and Paweł Zabczyk analyze the effects of quantitative easing (QE) in a dynamic macro model with bond market segmentation, which allows QE to affect term premiums. The authors calibrate the model conservatively, choosing lower values for parameters that govern QE effectiveness. As in the "What About Japan?" paper, the authors consider the consolidated balance sheet of a country's central bank and fiscal authority. Three important lessons emerge from the analysis. First, QE can boost real output without generating inflation in a deep liquidity trap, but it can lead to inflation without much rise

in real output during shallow liquidity traps and at other times. Second, during a deep liquidity trap, QE can result in a substantial improvement in a government's consolidated fiscal position, in contrast to the negative effects of standard fiscal stimulus packages. Third, during a shallow liquidity trap, an early recovery can lead to substantial central bank losses. The overall message is that QE can be very beneficial but only in a deep liquidity trap.

Both discussants praise the analysis but offer refinements of some of the paper's findings and cautions not considered by the authors. Mark Gertler introduces a framework for thinking about how QE works and then uses it to elucidate the channels working in the authors' model. Gertler emphasizes that QE is an imprecise tool and that the evidence on its effects on real activity is much weaker than the evidence on its effects on term spreads. Gertler also raises concerns about the Fed falling into a fiscal dominance trap, which is particularly salient given the current high U.S. debt ratio. Marco Del Negro commends the analysis, but argues that focusing only on the consolidated balance sheet ignores an important separate constraint—the central bank's intertemporal budget constraint—which can limit its use of QE. Drawing on his earlier work with Sims, Del Negro shows that central bank losses can render it insolvent since there is no explicit Treasury backstop for the Federal Reserve. Del Negro goes on to show how important seigniorage was in keeping the Federal Reserve solvent during the post-COVID tightening period. Del Negro warns that a future transition to a cashless economy could be inauspicious for the Fed's solvency.

Data have become one of firms' most valuable assets, yet national accounts are poorly suited to measuring them. In "The Missing Value of Data," Ankit Bhutani, Guillermo Ordoñez, and Laura Veldkamp argue that GDP misses data twice: as unrecorded intangible investment, and as bartered consumption, since customers pay for goods partly with the data their purchases generate. The authors measure a firm's data stock by how accurate its revenue guidance is compared with forecasts based on public information alone. They then use a calibrated dynamic model, in which data depreciate endogenously, to convert new data into dollars. They put the missing value of data at about 1.5 percent of GDP. The figure has been stable for two decades, because rising data flows have met diminishing returns, though it fell sharply during the pandemic.

Both discussants praise the paper's creativity but question the headline number. John Fernald argues that the paper assumes, rather than measures, the barter component, which doubles the estimate. He also argues that the public benchmark is stale compared with what firms know when they announce their sales forecasts, which overstates the private component; he puts the figure closer to 0.5 percent of GDP. Dimitris Papanikolaou notes that managerial forecasts are systematically biased and that the link between profits and forecast errors may reflect management quality. He also shows that with asymmetric losses and fat-tailed shocks, forecast-error variance no longer summarizes a firm's data.

The paper "The Postpandemic U.S. Immigration Surge: New Facts and Inflationary Implications," by Anton Cheremukhin, Sewon Hur, Ronald Mau, Karel Mertens, Alexander Richter, and Xiaoqing Zhou, studies some of the macroeconomic consequences of the surge in immigration to the U.S. from 2021 to 2024. Some commenters had tried to link inflation to the immigrant surge, so the authors begin their paper with a simple model showing that immigrants affect both demand and supply. The authors then combine multiple data sources to document a variety of features of the immigration surge, including immigrants' skill levels relative to those of natives, their spending patterns, how they compare to previous immigrants, and their geographic distribution. Next, the authors construct a heterogeneous-agent New Keynesian model with heterogeneity by skill and spending propensity, along with capital-skill complementarity, to gauge the strength of the supply and demand channels. The authors find that the demand and supply effects cancel out, so there does not appear to be a link between the immigration surge and inflation. The authors also use the model to compare the impact of a low-skilled immigrant surge with a high-skilled immigrant surge, and find that the high-skilled surge results in higher inflation. The model assumption of capital-skill complementarity means that the high-skilled surge raises investment much more, exerting demand pressures.

Both discussants agree with the authors' central point that the immigrant surge raises both demand and potential output as well as their conclusions that the immigrant surge played at most a small role in the inflation burst. Wendy Edelberg comments on various details of the paper. For example, she analyzes the extent to which the authors' new empirical facts show up as calibrations in the model. She also emphasizes a factor that the authors' model does not capture: differential price effects in sectors with inelastic short-run supply. She cites articles that

discuss the effects of the immigrant surge on housing and rental prices, infrastructure, and public services. These goods and services typically have very inelastic short-run supply, a factor missing from the authors' model. Alisdair McKay's comments focus on the bigger question of how best to analyze the macro effects of immigration. First, he notes that the authors' results rely heavily on their assumption of a standard Taylor rule. He cites recent work suggesting that the Taylor rule has not been a good positive description or normative prescription for monetary policy since the 1980s. Second, given the large empirical literature on the micro or partial equilibrium effects of immigration, McKay suggests that a macro analysis should incorporate the estimates of the micro literature and then use a macro model to deal with the "missing intercept" problem.

Children who grow up in poorer neighborhoods earn less as adults, and the Moving to Opportunity (MTO) experiment shows that part of this gap is causal. But small-scale experiments cannot reveal what happens when neighborhood policies are scaled up. In "The Macroeconomic Effects of Neighborhood Policies: A Dynamic Analysis," Alessandra Fogli, Veronica Guerrieri, Mark Ponder, and Marta Prato address this question using a general equilibrium model of a city with three neighborhoods, residential sorting, parental investment in education, and local spillovers that depend on who lives where. They compare three equally costly policies. MTO-style housing vouchers generate large gains for recipients, but at scale they dilute the spillover in the receiving neighborhood, hurting incumbents and lowering city-wide welfare. Place-based transfers raise average welfare more but encourage poor families to stay in poor neighborhoods, increasing segregation. Place-based investment in schools has smaller short-run effects but, as gains compound across generations, raises welfare while reducing inequality and segregation.

Both discussants praise the approach. Edward Glaeser urges reporting uncertainty around welfare estimates and focusing on politically feasible reforms, noting that easing housing regulation in high-opportunity areas could achieve what vouchers do at lower cost. Diego Daruich argues that the calibration likely favors school investment, since its return is pinned to the most favorable estimate, and understates the gains from vouchers, especially if targeted to families with young children.

In “Falling Dominoes? The Impact of the US Exit from Free Trade on the Sustainability of Trade Cooperation,” Barthélémy Bonadio, Andrei Levchenko, and Nitya Pandalai-Nayar ask whether free trade among the remaining countries can survive a full US withdrawal from the cooperative trade regime. They frame cooperation as an equilibrium of a repeated tariff game and measure its sustainability by the minimum discount factor needed to deter deviations to Nash tariffs. Analytically, optimal tariffs and welfare depend only on trade shares and the trade and labor supply elasticities. In a quantitative multi-country model with production networks, the US exit barely moves these trade shares, so other countries’ optimal tariffs and the discount factor sustaining cooperation hardly change: the dominoes do not fall.

Both discussants praise the paper for bringing rigor to an important, but vague, policy debate. At the same time, they worry that its reassuring conclusion reflects the model’s structure. Gene Grossman argues that the Armington-CES structure turns the US exit into many small reallocations and leaves out trade diversion, critical inputs, and weakened WTO enforcement; he also notes that new regional agreements could instead strengthen cooperation. George Alessandria notes the framework cannot explain why the US refrained from exploiting its market power for decades, and argues second-best distortions, dynamic trade elasticities, and the interdependence of tariff policies could make the US exit more damaging to cooperation than the model suggests.

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