Abstract

This thesis examines the impact of the just-in-time management (JIT) on volatility of inventory and the magnitude of inventory recessionary cuts. Firms’ inventory is an important macroeconomic variable – prior research shows that a decrease in inventory volatility is likely an important source of the Great Moderation and that inventory cuts are a crucial part of GDP decreases during recessions. My results show that JIT decreases volatility of inventory change and makes the recessionary inventory cuts milder. Combined with previous research, the results imply that likely, JIT is an important source of the Great Moderation and mitigates recessions. I test the hypotheses with quarterly 1975–2014 data on U.S. publically traded manufacturing firms, consisting of 116 JIT adopters and 116 matched control firms.