<table>
<thead>
<tr>
<th>NAME</th>
<th>Job Market Paper</th>
<th>FIELDS</th>
<th>REFERENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min Fang</td>
<td><em>Lumpy Investment, Fluctuations in Volatility and Monetary Policy</em></td>
<td>• Macroeconomics</td>
<td>Narayana Kocherlakota Yan Bai Mark Bils Ronni Pavan</td>
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<td>• Finance</td>
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<td>• Urban Economics</td>
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<td>Eduardo Garcia</td>
<td><em>Measuring Intergenerational Mobility in Population Subgroups Using φ-divergences</em></td>
<td>• Econometric Theory</td>
<td>Nese Yildiz*</td>
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<td></td>
<td></td>
<td>• Applied Econometrics</td>
<td>Bin Chen Paulo Barelli Narayana Kocherlakota</td>
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<tr>
<td>Stepan Gordeev</td>
<td><em>Nutrition Demand, Subsistence Farming, and Agricultural Productivity</em></td>
<td>• Macroeconomics</td>
<td>Yan Bai*</td>
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<td>• Development</td>
<td>Mark Bils George Alessandria Travis Baseler</td>
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<td>Joshua Hollinger</td>
<td><em>School Accountability, Test Scores, and Long-Run Outcomes</em></td>
<td>• Applied Microeconomics</td>
<td>Lisa Kahn*</td>
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<td></td>
<td></td>
<td>• Economics of Education</td>
<td>Ronni Pavan John Singleton Michael Wolkoff</td>
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<td>• Teacher Quality</td>
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<td>• Policy Evaluation</td>
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<tr>
<td>Hyun Yeol Kim</td>
<td><em>Internal U.S. Migration and Consumption Dynamics: A Panel Data Analysis</em></td>
<td>• Macroeconomics</td>
<td>Mark Bils*</td>
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<td>• Labor Economics</td>
<td>Lisa Kahn Narayana Kocherlakota</td>
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<td>• Urban Economics</td>
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<tr>
<td>Kaixin Liu</td>
<td><em>Causes and Consequences of the Re-employment Wage Decrease: New Findings and Policy Implications</em></td>
<td>• Public Economics</td>
<td>Ronni Pavan*</td>
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<td>• Labor Economics</td>
<td>Lisa Kahn Kegon Tan</td>
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<td>• Applied Economics</td>
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*Advisor
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<thead>
<tr>
<th>Name</th>
<th>Research Areas</th>
<th>Advisors</th>
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</thead>
<tbody>
<tr>
<td>Roman Merga</td>
<td><em>International Trade, Volatility, and Income Differences</em></td>
<td>George Alessandria* Yan Bai</td>
</tr>
<tr>
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<td>Joseph B. Steinberg</td>
</tr>
<tr>
<td>Tianchen Song</td>
<td><em>Multinational Expansion, Shareholding Choice, and Local Know-How</em></td>
<td>George Alessandria* Dan Lu</td>
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<td>Yan Bai</td>
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<tr>
<td>Jose Villegas</td>
<td><em>Employment growth, the Collateral Channel and Property Taxes</em></td>
<td>Yan Bai*</td>
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<td>Narayana Kocherlakota</td>
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<td>George Alessandria</td>
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*Advisor
Min Fang

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1015 Lausanne, Switzerland

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Email: min.fang.ur@gmail.com
Site: www.minfang.info
Status: Citizenship@China; OWP@Canada

I am first time on the job market as a University of Rochester graduate, and am available at the 2022 AEA meetings.

Employment

2021-Now Postdoctoral Researcher, Department of Economics, HEC, University of Lausanne
2021-Now Postdoctoral Researcher, Geneva Finance Research Institute, University of Geneva
2021-Now Research Fellow, Geneva School of Economics and Management, University of Geneva

Education

2015-2021 Ph.D. in Economics, University of Rochester
– Committee: Narayana Kocherlakota and Yan Bai (Co-advisors), Mark Bils, Ronni Pavan
2014-2015 M.S. in Quantitative Economics, Yeshiva University
2010-2014 B.A. in Economics, Zhejiang University

Interests

Substantive: Macroeconomics, Finance, Urban Economics
Methodology: Computational Methods, Applied Econometrics
Research Topics: Monetary Policy, Financial Fractions, Firm Dynamics, Asset Pricing, Corporate Finance, Inequality, Spatial Misallocation, Market Power, Inflation

Working Papers

1. Lumpy Investment, Fluctuations in Volatility and Monetary Policy
   Jun 2021 | Job Market Paper

2. Migration, Housing Constraints, and Inequality: A Quantitative Analysis of China
   Feb 2021 | with Zibin Huang

3. Regional Convergence or Just An Illusion? Place-based Land Policy and Spatial Misallocation
   Sep 2021 | with Libin Han, Zibin Huang, Ming Lu, Li Zhang

4. Debt Maturity Heterogeneity and Investment Responses to Monetary Policy
   Oct 2021 | with Minjie Deng | Resubmitted to European Economic Review

5. A Note on Nonconvex Adjustment Costs in Lumpy Investment Models: Mean versus Variance
   Jun 2021 | Resubmitted to Macroeconomic Dynamics
Work in Progress

1. What Do Alibaba Data Tell Us about Quality Growth in China?, with Mark Bils, Zibin Huang, Tianchen Song
2. Conglomerate Market Power, with Xiaomei Sui, Tianchen Song
3. Financing Innovation with Innovation, with Zhiyuan Chen, Minjie Deng
4. Sovereign Default Risk and Inequality, with Minjie Deng, Philipp Renner, Simon Scheidegger
5. Equilibrium Asset Pricing with Transaction Costs, with Luca Gaegauf, Simon Scheidegger, Fabio Trojani
6. (Where to) Setup Development Zones? Place-based Development Policy and Spatial Misallocation, with Binkai Chen, Zibin Huang, Ming Lu, Christopher Timmins, Kuanhu Xiang

Research Presentations

Seminars and Conferences (*selected talks by coauthor)

2021: AEA/ASSA (Chicago), University of Geneva (GFRI/Finance Brownbag), University of Rochester, UEA Europe Meeting (Copenhagen), Paris School of Economics (T3M Seminar Series), ES NA Summer Meeting (UQAM), Barcelona GSE Summer Forum, CES NA Conference, ES China Meeting (Shanghai), CCER Summer Institute, EEA Congress (Copenhagen), ES European Summer Meetings (Copenhagen), China Economics Summer Institute (CUHK), University of Lausanne (HEC/Economics Brownbag), Asian and Australasian Society of Labour Economics, ES European Winter Meeting (Barcelona), "Fudan University, "Peking University, "Zhejiang University, "Sun Yat-sen University, "China Finance 40 Forum, "Jinan-SMU-ABFER Conference on Urban and Regional Economics, "University of International Business and Economics, "Tongji University, "UEA North American Meeting

2020: Junior Migration Webinar, CES NA Conference (Boston), ES World Congress (Milan), EEA Congress (Rotterdam), Young Economist Symposium (Upenn), PhD Economics Virtual Seminar, UEA Annual Meeting (Berkeley), Boston College, Seminars in Economic Geography, University of Rochester, ES European Winter Meeting (Nottingham), International Conference on The Chinese Economy: Past, Present and Future (Beijing)

2019: EGSC (Wash U), Wallis Institute (U Rochester)

Discussions

2021: Send Them Back? The Real Estate Consequences of Repatriations, by Gustavo Cortes and Vinicios Sant’Anna, at the UEA Europe Meetings (Copenhagen)

2021: College Location and Migration: Evidence from China’s Higher Education Expansion, by Shu Cai, Xiaozhou Ding, and Rui Du, at the ASSA Annual Meetings (Chicago)

2020: Entrepreneurship, Financial Frictions, and the Market for Firms, by Rafael Guntin and Federico Kochen, at the Young Economist Symposium (UPenn)

Honors, Fellowships, Awards, and Grants

2020-2021 Dean’s Post-Field Research Dissertation Fellowship, University of Rochester
2019 River Campus Library Dataset Grant, University of Rochester
2019 Conference Travel Grant, University of Rochester
2019-2020 Alibaba Huoshui Scholar, Alibaba Group
2017-2018 W. Allen Wallis Institute Fellowship (researcher in residence), University of Rochester
2017 PEPR Grant, W. Allen Wallis Institute, University of Rochester
2016-2017 Summer Research Grant (×2), University of Rochester
2015-2020 Graduate Fellowship and Tuition Scholarship (17-18 exempt), University of Rochester
2014-2015 Graduate Fellowship, Yeshiva University
**Teaching Experience**

**Department of Economics, University of Rochester | Instructor, Teaching Assistant, and Lab Instructor**

2019 Summer  Principles of Economics (Undergraduate) as Instructor

2019 Spring  Macroeconomics Core (PhD) by Prof. Yena Park

2018-2020  Applied Econometrics (Advanced Undergraduate) by Prof. Bin Chen

2018 Fall  Intermediate Macroeconomics (Undergraduate) by Prof. Mark Bils

2017 Fall  Economics of Globalization (Undergraduate) by Prof. Yan Bai

**Simon Business School, University of Rochester | Teaching Assistant and Lab Instructor**

2018-2020  Corporate Finance (BA, MBA, MSF) by Prof. Michael Gofman

2020 Spring  Game Theory for Managers (MBA, EMBA) by Prof. Heikki Rantakari

2019 Fall  Managerial Economics (MBA, EMBA) by Prof. Heikki Rantakari

2019-2020  Economics & Marketing Strategy (BA, MSBA) by Prof. Paul Nelson

2019 Summer  Programming for Analytics (MSBA) by Prof. Yufeng Huang

**Economics Department, Yeshiva University | Teaching Assistant and Mentor**

2015 Spring  Intermediate Microeconomics (Undergraduate) by Prof. Ran Shao

2014 Fall  Intermediate Microeconomics (Undergraduate) by Prof. Alessandro Citanna

**Professional Activity**

Seminar Organizer: Graduate Student Chinese Economy Workshop (GSCE 2020)

Referee for *Economics Letters*

**Others**

Languages: Chinese (native), English (fluent), French (learning)

Computer Skills: Julia, Python, Stata, R, MATLAB, TensorFlow, Linux, \LaTeX

**References**

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E-mail: yan.bai@rochester.edu

**Professor Mark Bils**
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**Professor Ronni Pavan**
University of Rochester
Rochester, NY 14627, USA.
Phone: (+1) 585-275-6279
E-mail: ronni.pavan@rochester.edu
Abstracts for Working Papers

Lumpy Investment, Fluctuations in Volatility and Monetary Policy
Job Market Paper

I argue that monetary policy is less effective at stimulating investment during periods of elevated volatility in firm-level productivity. Empirically, I document that high volatility weakens investment responses to monetary stimulus. I then develop a heterogeneous firm New Keynesian model with lumpy investment to interpret these findings. In the model, non-convex capital adjustment costs create a sizable extensive margin of investment which is more sensitive to changes in both the interest rate and volatility than the intensive margin. When volatility is high, firms tend to stay inactive at the extensive margin, so monetary stimulus motivates less investment at the extensive margin. I find that the quantitative implications of the model are primarily shaped by the specifications of the capital adjustment costs. Unlike much of the prior literature, I use the dynamic moments of investment to identify this key model element. Based on this parameterization, high volatility reduces the effectiveness of monetary stimulus for investment by 30%. This reduction is about half of what I find in the data. Therefore, the effect of monetary policy depends on both the lumpy nature of firm-level investment and fluctuations in volatility.

Migration, Housing Constraints, and Inequality:
A Quantitative Analysis of China
Joint with Zibin Huang

We investigate the role of migration and housing constraints in determining income inequality within and across Chinese cities. Combining microdata and a spatial equilibrium model, we quantify the impact of the massive spatial reallocation of workers and the rapid growth of housing costs on the national income distribution. We first show several stylized facts detailing the strong positive correlation between migration flows, housing costs, and imputed income inequality among Chinese cities. We then build a spatial equilibrium model featuring workers with heterogeneous skills, housing constraints, and heterogeneous returns from housing ownership to explain these facts. Our quantitative results indicate that reductions in migration costs and the divergent growth in productivity across cities and skills result in the observed massive migration to developed areas. Combined with tight land supply policies in big cities, the expansion of the housing demand causes the rapid growth of housing costs and increases the inequality between local housing owners and migrants. The counterfactual analysis shows that a migration-based land supply reform with regional transfers or a US-level property tax both lower within-city income inequality, by 34% and 21%, respectively. Meanwhile, both reforms lower national income inequality by 20%. However, only the land supply reform encourages more workers to migrate to higher productivity cities.

Regional Convergence or Just An Illusion?
Place-based Land Policy and Spatial Misallocation
Joint with Libin Han, Zibin Huang, Ming Lu, Li Zhang

We study how place-based land allocation policy can create spatial misallocation. Combining microdata and a spatial equilibrium model, we investigate a major policy change of distributing more land to underdeveloped inland regions in China. First, by a method combining RD and DID, we show causal evidence that this inland-favoring policy increased land prices and decreased firm-level TFP in more developed eastern regions relative to inland regions. Second, we build a spatial equilibrium model featuring worker mobility and floor space constraints on housing and production. The inland-favoring policy is neither fair nor efficient. Counterfactuals reveal that national TFP and urban output would have been 7.3% and 2.4% higher in 2010 if the policy had not been implemented. Moreover, wage and income of workers from underdeveloped regions would have increased by 1% to 2%. The inland-favoring policy seems to reduce regional output gaps, however, it actually hurts workers from underdeveloped regions by hindering their migration to developed regions with high wages while causing aggregate TFP and output losses. We then show that instead of the inland-favoring land policy, a direct regional transfer can increase the income of people from underdeveloped regions without causing substantial efficiency loss.
Debt Maturity Heterogeneity and Investment Responses to Monetary Policy
Joint with Minjie Deng
Resubmitted to European Economic Review

We study how debt maturity heterogeneity determines firm-level investment responses to monetary policy shocks. We first document that debt maturity significantly affects the responses of firm-level investment to conventional monetary policy shocks: firms who hold more long-term debt are less responsive to monetary shocks. The magnitude of responses due to debt maturity heterogeneity is comparable to the well-documented responses due to debt level heterogeneity. Evidence from credit ratings and borrowing responses indicates that the higher future default risk embedded in long-term debt plays an essential role. We then develop a heterogeneous firm model with investment, long-term and short-term debt, and default risk to quantitatively interpret these facts. Conditional on the level of debt, firms with more long-term debt are more likely to default on their external debt and consequently face a higher marginal cost of external finance. As a result, these firms are less responsive in terms of investment to expansionary monetary shocks. The effect of monetary policy on aggregate investment, therefore, depends on the distribution of debt maturity.

A Note on Nonconvex Adjustment Costs in Lumpy Investment Models: Mean versus Variance
Resubmitted to Macroeconomic Dynamics

This paper revisits the canonical assumption of nonconvex capital adjustment costs in lumpy investment models as in Khan and Thomas (2008), which are assumed to follow a uniform distribution from zero to an upper bound, without distinguishing between the mean and the variance of the distribution. Unlike the usual claim that the upper bound stands for the size (represented by the mean) of a nonconvex cost, I show that in order to generate an empirically consistent interest elasticity of aggregate investment, both a sizable mean and a sizable variance are necessary. The mean governs the importance of the extensive margin in aggregate investment dynamics, while the variance governs how sensitive the extensive margin is to changes in the real interest rate. As a result, both the mean and the variance are quantitatively important for aggregate investment dynamics.

Abstracts for Selected Work-in-Progress

What Do Alibaba Data Tell Us about Quality Growth in China?
Joint with Mark Bils, Zibin Huang, Tianchen Song

In this paper, we aim to understand how much does the Consumer Price Index (CPI) inflation for consumer durables reflect quality growth and inflation. This well-known question lies at the core of evaluating inflation and quality growth over time due to measurement frictions at the micro-level. In this project, we try to account for quality growth in measuring inflation. As we know, households can substitute for low-quality goods with high-quality ones. If we do not account for quality changes when calculating the inflation, it can lead to an overestimation of the "pure" price increase. The problem is even more severe in developing countries with fast economic growth such as China. In this study, we collaborate with Alibaba Group and use detailed sales and price data for different goods in different regions. We have measure quality growth and how much it contributes to the mobile phone category’s overall price growth. In the current stage, we are working on collecting real-time data of broader categories on Alibaba Platform and trying to quantify the quality growth for China’s whole retailing market.

Financing Innovation with Innovation
Joint with Minjie Deng, Zhiyuan Chen

We study how firms could alleviate financial frictions through financing innovation with their innovation capital as collateral. We document that firms increasingly finance innovation with their stock of innovation, measured as patents. Drawing on patent collateral data from the US and China, we find that both the number of pledged patents and the share of patents being used as collateral have been rising steadily in the US and China. However, US patent holders employ patents as collateral at a greater scale and intensity than Chinese patent owners. We show that this difference is probably not due to the liquidity of patent assets, but due to the laggard inspection technology for evaluating patent collaterals for investors. We then construct a heterogeneous firm model featuring idiosyncratic risk, innovation capital, and collateral constraints. In the model, firms could borrow against innovation capital after paying fixed evaluation costs. We parameterize the model to the US and China respectively and find that the fixed evaluation cost decreases over time, but is still much higher in China than in the US. Counterfactual analysis shows that the gains in innovation investment and welfare from reducing frictions in China to the US level are substantial.
Education

2016-Present: Ph.D. in Economics - University of Rochester, United States.
Advisor: Neşe Yildiz.
Expected Completion: June 2022.

2016-2018: M.A. in Economics - University of Rochester, United States.

2012-2013: M.A. in Economics - Universidad de los Andes, Colombia.

2008-2012: B.A. in Economics - Universidad de los Andes, Colombia.

Research Fields

Econometric Theory; Applied Econometrics; Intergenerational Mobility; and Game Theory.
Subfields: Nonparametric and semiparametric models; income, education and health mobility; and learning in games.

Working Papers

“Measuring Income Mobility in Population Subgroups Using φ-divergences”
Job Market Paper

“Learning in Games Where Agents Sample”
Revise and Resubmit in Games and Economic Behavior.

“Low CPU Cost Semiparametric Estimation”
With Steven Stern and Neşe Yildiz.

Work in Progress

“The Long Run Effects of Trade Liberalization on Income Risk and Occupational Mobility”
With Marcos Ceron and Paulo Lins.

Publications (Pre Ph.D.)

“Hot Spots Policing in a High Crime Environment: An Experimental Evaluation in Medellín”
Journal of Experimental Criminology, 2020
With Daniela Collazos, Daniel Mejía, Daniel Ortega, and Santiago Tobón.
Conferences and Presentations

  • 32nd Stony Brook International Conference on Game Theory (Virtual).
  • 16th European Meeting on Game Theory (Virtual).
  • 15th International Conference on Game Theory and Management (Virtual).

2019: • 2nd Annual Meeting Colombian Economics Conference (Bogotá, Colombia).
  • New York Camp Econometrics XIV (Clayton, NY).

Teaching Experience

Instructor, University of Rochester:
  • Econometrics ECO 231W (Undergraduate), Instructor rating: 5.0/5.0, Teaching skills: 4.9/5.0
    Summer 2021

Teaching Assistant, University of Rochester:
  • Math Statistics and Econometrics ECO485 (Graduate), Instructor: Neşe Yildiz
    Fall 2018, Fall 2019, Fall 2020
  • Econometrics ECO231W (Undergraduate), Instructor: Kegon Tan
    Spring 2019, Spring 2020
  • Macroeconomics II ECO476 (Graduate), Instructor: Narayana Kocherlakota
    Spring 2019, Spring 2020
  • Econometrics, Microeconomics and Math Economics (Master's Students), Instructor: Paulo Barelli
    Fall 2020, Spring 2021

Teaching Assistant, Universidad de los Andes:
  • Advanced Microeconomics (Ph.D. Students), Instructor: Paula Jaramillo
    Fall 2014, Fall 2015
  • Advanced Microeconomics (Master's Students), Instructor: Paula Jaramillo
    Fall 2013, Spring 2014, Fall 2015
  • Economic Theory of Conflicts (Undergraduate), Instructor: Daniel Mejía
    Fall 2015
  • Economic Development (Undergraduate), Instructor: Guillermo Perry
    Fall 2013, Spring 2014, Fall 2015
  • Introduction to the Colombian Economy (Undergraduate), Instructor: Guillermo Perry
    Spring 2016

Working Experience

Graduate Research Assistant, Wallis Institute of Political Economy, University of Rochester
Apr 2019-May 2019, Sep 2020-Aug 2021

Research Assistant, Centro de Estudios Sobre Seguridad y Drogas, Universidad de los Andes
Research Assistant, Centro de Estudios Sobre Desarrollo Económico, Universidad de los Andes
Jul 2013-Aug 2014

Research Assistant, Fundación para la Educación Superior y el Desarrollo–FEDESARROLLO
Jan 2012-Jul 2012

Fellowships, Scholarships and Awards

Dean's Post-Field Research Dissertation Completion Fellowship (2021-2022), University of Rochester.
Tapan Mitra Prize for Best Theoretical Paper, University of Rochester.
Summer Research Grant 2018, University of Rochester.
Summer Research Grant 2017, University of Rochester.
Graduate Fellowship and Tuition Scholarship (2016-2021), University of Rochester.
Special Mention in the Juan Luis Londoño Award for Best Master's Thesis, Universidad de los Andes.
Best Teaching Assistant Award, Universidad de los Andes.

Skills

Computational: Stata, Matlab, ArcGIS, Python, and R.

Languages: English (Fluent), Spanish (Native) and French (Basic).

Professional Affiliations


References

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Prof. Narayana Kocherlakota
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Prof. Paulo Barelli
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Rochester, NY 14627, USA
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Prof. Kegon Tan
Department of Economics
University of Rochester
Rochester, NY 14627, USA
kegontnk@gmail.com
Selected Abstracts

“Measuring Social Mobility in Population Subgroups Using $\varphi$-divergences”

This paper introduces a measure of intergenerational social mobility based on $\varphi$-divergences. The measure can be decomposed to study mobility in population subgroups of interest and can be used to describe mobility of multiple outcome variables across an arbitrary number of generations, unlike most indicators in the literature. The measure also fully controls for marginal distributions, meaning it is not affected by income growth or changes in income inequality. I propose two estimators for the measure: a non-parametric estimator and an estimator based on the mobility matrix. I provide conditions under which these estimators are $\sqrt{n}$-consistent and asymptotically normal. With a specific $\varphi$-divergence, the Hellinger distance, I measure multidimensional social mobility in the USA and Germany using the PSID, the SOEP, and US administrative tax data. The measure reveals lower income and health mobility in the USA than Germany, but the opposite for educational mobility. It also shows income mobility for both countries is lowest in the tails of the parental income distribution and greatest in the centre. This inverted U-pattern is more pronounced in the USA. Most of these empirical findings for population subgroups are hidden to the existing indicators in the literature.

“Learning in Games Where Agents Sample”

This paper proposes an equilibrium concept—the Sampling Bayesian Equilibrium—for games in which players observe the actions of only a small random sample of other players. I show the existence of these equilibrium points for i) a class of coordination of global games and for ii) general static games in normal form. For the first, I further show the existence of a unique interior Sampling Bayesian Equilibrium, easing comparative statics over the set of equilibria. Using asymptotic Bayesian analysis, in particular Bernstein-von Mises theorem, I show that most equilibrium points in the complete information games (where agents have perfect foresight over the actions of all other players) can be obtained as limits of pure-strategy Sampling Bayesian Equilibria of the perturbed games, as agents learn and sample sizes tend to infinity. These purification results are robust to a wide class of prior distributions over strategy profiles and are consistent with Nash’s ‘mass-action’ interpretation of mixed strategies.

“The Long Run Effects of Trade Liberalization on Income Risk and Occupational Mobility”

This paper studies the long run effects of trade liberalizations on income volatility and occupational mobility. Due to its unique set of features, we focus our attention on the Brazilian trade liberalization of the beginning of the 1990s. We first estimate time-varying measures of regional income risk using longitudinal data for workers’ earnings from the Relação Anual de Informações Sociais (RAIS). Second, we use the Brazilian occupation’s classification system (coupled with machine learning text analysis) to create an aggregate measure of regional occupational mobility. The latter not only measures the extensive margin (% of workers switching occupation) but also takes into account the skill distance between occupation switches. We use data on regional tariff reductions to study the long terms effects of a greater exposure to the trade shock on regional income risk and occupational mobility.

“Hot Spots Policing in a High Crime Environment: An Experimental Evaluation in Medellín”

Objectives: Test direct, spillover, and aggregate effects of hot spots policing on crime in a high-crime environment. Methods: We identified 967 hot spot street segments and randomly assigned 384 to a six-month increase in police patrols. To account for the complications resulting from a large experimental sample in a dense network of streets, we use randomization inference for hypothesis testing. We also use non-experimental streets to test for spillovers onto non-hot spots and examine aggregate effects citywide. Results: Our results show an improvement in short-term security perceptions and a reduction in car thefts, but no direct effects on other crimes or satisfaction with policing services. We see larger effects in the least secure places, especially for short-term security perceptions, car thefts, and assaults. We find no evidence of crime displacement but rather a decrease in car thefts in nearby hot spots and a decrease in assaults in nearby non-hot spots. We estimate that car thefts decreased citywide by about 11%. Conclusions: Our study highlights the importance of context when implementing hot spots policing. What seems to work in the USA or even in Bogotá is not as responsive in Medellín (and vice versa). Further research—especially outside the USA—is needed to understand the role of local crime patterns and police capacity on the effectiveness of hot spots policing.
Stepan Gordeev

**Education**

University of Rochester  
Ph.D. in Economics  
Committee: Yan Bai (advisor), George Alessandria, Travis Baseler, Mark Bils  
2022 (expected)

University of Rochester  
M.A. in Economics  
2018

George Mason University  
B.S. in Economics, summa cum laude  
2016

**Research Interests**

- Macroeconomics, Economic Development, Growth

**Working Papers**

- Nutrition Demand, Subsistence Farming, and Agricultural Productivity (JMP)
- Intangible Capital, Tangible Misallocation

**Teaching & Experience**

**Instructor:**

- **Intermediate Macroeconomics** (undergraduate)  
  University of Rochester. Evaluations: overall course rating 4.67/5, teaching skills 4.89/5  
  Summer 2020

- **Computational Macroeconomics Mini-Course** (graduate)  
  University of Rochester. A 3-week course for 2nd-year economics PhDs  
  Fall 2019, 2020

**Teaching Assistant:**

- Intermediate Macroeconomics (undergraduate)  
  Fall 2018, Spring 2021

- Macroeconomics II (graduate)  
  Spring 2020

- Economics of Globalization (undergraduate)  
  Fall 2019

- Programming for Analytics (graduate)  
  Summer 2019
– Topics in Microeconomics (undergraduate) Spring 2019

Research Assistant:

– for Mark Bils, University of Rochester 2018–2019


Conferences & Presentations

– African Meeting of the Econometric Society, Nordic Conference in Development Economics, Young Economist Symposium, Southern Economic Association Annual Meeting (scheduled) 2021

Skills

– Computer Skills: R, Julia, Stata, Matlab, \LaTeX
– Languages: English (fluent), Russian (native), Spanish (basic), Latin (basic)

Scholarships & Awards

– Graduate Fellowship and Tuition Scholarship, University of Rochester 2016–2021
– Departmental Honors in Economics, George Mason University 2016
– Dean’s List, George Mason University 2012–2016

References

Yan Bai (advisor)
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mark.bils@rochester.edu
**Nutrition Demand, Subsistence Farming, and Agricultural Productivity**

*Job Market Paper*

Subsistence agriculture is prevalent in many of the poorest countries. I propose nutrition demand as a mechanism that drives the production decisions of subsistence farmers and ultimately contributes to low aggregate agricultural productivity. I explore this mechanism in a model of farm-operating households facing explicit caloric needs and costly trade, and test the model’s predictions on Malawian household-level data. In the model and in the data, the smallest farmers focus their consumption on obtaining calories and specialize their production in unsold staple crops; medium farmers diversify both their diet and their subsistence production; the largest farmers shift consumption to purchased goods by producing and selling marketable farm products. I quantify the aggregate implications of this farm-level product choice using the model and show that nutrition demand amplifies the negative effects of trade costs on aggregate output.

**Intangible Capital, Tangible Misallocation**

The role of intangible capital in production is growing relative to conventional capital. This paper considers the implications of this shift on the misallocation of inputs across public US firms. I show that ignoring intangibles leads to an overestimation of misallocation costs by 54%. The degree of this overestimation gets worse over time, which explains most of the measured deterioration in allocative efficiency in the US in recent years. I find that misallocation is almost twice as severe in sectors that use comparatively more intangibles as in sectors relying more on tangible capital. I calibrate a variable markup model in which the outcome of intangible investments is uncertain and markups increase with firm productivity. I find that it can generate a significant portion of the measured misallocation.
Joshua Hollinger

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EDUCATION

**PhD**  
University of Rochester, Economics  
Dissertation: “The Economics of Quality Teaching”  
Advisor: Lisa Kahn  
Expected May 2022

**MS**  
University of Rochester, Economics  
May 2018

**BA**  
Northwestern College, IA, Economics and Actuarial Science  
Magna Cum Laude  
Minor in Accounting  
May 2014

RESEARCH INTERESTS

Applied Microeconomics, Economics of Education, Teacher Quality, Policy Evaluation

WORKING PAPERS

JMP: “School Accountability, Test Scores, and Long-Run Outcomes”

“Teacher Quality for Disadvantaged Students” (with Alexis Orellana)

“Performance Pay and Incentive Strength for Better and Worse Teachers”

CONFERENCE AND SEMINAR PRESENTATIONS

AEFP Poster Session, 2021 (virtual)

HONORS AND AWARDS

Economics Ph.D. Fellowship and Scholarship, University of Rochester, 2016 to 2021.

Best Economics Graduate, Northwestern College, 2014.
TEACHING EXPERIENCE

Instructor, University of Rochester
- Intermediate Microeconomics (undergraduate, ECO207), Summer 2021.
  Student evaluations: Overall Teacher Rating 4.83 out of 5

Teaching Assistant, University of Rochester
- Economics of Discrimination (undergraduate, ECO253W), Fall 2018 to 2021.
- Public Finance (undergraduate, ECO263), Spring 2019 to 2021.
- Economics of Education (undergraduate, ECO237), Spring 2020.
- Core Stats for MS Students (business school, GBA462), Fall 2019.

Guest Lectures, University of Rochester
Economics of Education (undergraduate, ECO237)

PROFESSIONAL TRAINING

Master Teaching Assistant Program
Center for Teaching Excellence, University of Rochester, 2020 and 2021.
- Participated in 6-session training program
- Provided training session for new graduate teaching assistants

APPOINTMENTS

Research Assistant for Professor John Singleton, University of Rochester, 2018 to 2019

PROFESSIONAL SERVICE

Peer-Review for Journal of Human Resources

PREVIOUS EMPLOYMENT

Nationwide Insurance
Pricing Analyst, Des Moines, IA. May 2014 to August 2016.

OTHER

- Computer skills: Stata, R, Matlab, LaTeX, Microsoft Excel
- Languages: English (native), Spanish (novice)
- Passed Casualty Actuarial Society exams 1 through 4
REFERENCES

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Professor Ronni Pavan
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Professor Michael Wolkoff
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ABSTRACT

While many education policies target test scores as a contemporaneous measure of student learning, a common concern is that these policies may generate higher test scores in a way that fails to translate to more important student outcomes in the long run. I use administrative data from North Carolina and two regression discontinuity designs to estimate the impact of school accountability pressure under No Child Left Behind on elementary students' test scores and their long-run outcomes at the end of high school. I find modest positive effects on elementary test scores and a significant increase in SAT scores years later. There is some evidence for a small increase in high school GPA, mixed evidence for an increase in students intending to attend a 4-year instead of a 2-year college, and no effect on high school graduation or intention to attend any college. Further evidence suggests the effect on SAT scores may be explained by persistent test-score effects in years after accountability exposure. Altogether, these results lend support to a mixed story for No Child Left Behind: while accountability pressure led to a long-run increase in skills captured by tests, these learning gains were not strong or broad enough to yield meaningful improvements in other long-run outcomes like educational attainment.
Hyun Yeol Kim

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Education

- Ph.D. in Economics, University of Rochester, USA, 2022 (expected).
- M.A. in Economics, University of Rochester, USA, 2017.
- M.A. in Economics, Yonsei University, South Korea, 2015.
- B.A. in Economics, Yonsei University, South Korea, 2013.

Research Interests

Macroeconomics, Labor Economics, Urban/Regional Economics

Working Papers

- “Internal U.S. Migration and Consumption Dynamics: A Panel Data Analysis”
  (Job Market Paper, [Link])
- “The Impact of Expected Returns to Experience on Migration Decisions”

Work In Progress

- “Migration and Consumption in an Incomplete Market”

Publications and Older Papers

- “Measuring Nominal Wage Rigidity from the Panel Data in Korea,” (Unpublished master’s thesis) Graduate School, Yonsei University, Seoul, South Korea

Research Experience

- Research Assistant for Professor Mark Bils, University of Rochester, 2016, 2021-Present
- Research Assistant for Professor Yongsung Chang, University of Rochester, 2018

Last updated: November 8, 2021.
Teaching Experience

Adjunct Instructor, University of Rochester
- Intermediate Macroeconomics (Undergraduate), Summer 2019 [Overall rating: 4.2/5.0]

Teaching Assistant, University of Rochester
- Intermediate Macroeconomics Honors (Undergraduate), Fall 2019, Fall 2018, Fall 2017
- Intermediate Macroeconomics (Undergraduate), Spring 2020, Spring 2018
- Economic Statistics (Undergraduate), Spring 2019
- Economics and Marketing Strategy (MSBA, Simon School of Business), Fall 2021
- Marketing Research and Analytics (Undergraduate, Simon School of Business), Fall 2021

Teaching Assistant, Yonsei University
- Topics in Macroeconomics: Business Cycles (Graduate), Spring 2015

Undergraduate Tutor, Yonsei University
- Intermediate Microeconomics (Undergraduate), Summer 2012

Fellowships, Scholarships, and Honors

Graduate Fellowship and Tuition Scholarship, University of Rochester, 2015-2020
Summer Research Grant, University of Rochester, Summer 2016
Graduate Assistantship, School of Economics, Yonsei University, Spring 2014-Spring 2015
Graduate Tuition Scholarship, The Graduate School, Yonsei University, Spring 2013-Spring 2014
Annual Dean's List, University of Washington, Spring 2012 (Quarterly Dean's List × 3)
Undergraduate Merit-based Scholarship, Yonsei University, Fall 2009-Spring 2010

Conference & Seminar Presentations

University of Rochester (Macro Workshop 2020, Student Seminar 2019-2020)
Korea’s Allied Economic Associations Annual meeting (Graduate Students’ Session) 2015

Skills

Languages: Korean (native), English (fluent)

Computer Skills: Stata, Fortran, Matlab, Julia, Microsoft Office, \LaTeX, SAS

Other Experiences

- Undergraduate Exchange Student Program, University of Washington, Fall 2011-Spring 2012
- Undergraduate Mentor from Economics Major, Yonsei University, 2010-2012
- Assistant Program Coordinator, Underwood International College, Yonsei University, Fall 2012
  - A survey construction for collecting undergraduate students' time use data
  - Advertisement of the college program targeting U.S. high schools

Last updated: November 8, 2021.
References

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**Professor Narayana Kocherlakota**
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Internal U.S. Migration and Consumption Dynamics: A Panel Data Analysis
(Job Market Paper)

Using the Kilts Nielsen Consumer Panel (KNCP), this paper documents new stylized facts on expenditure and income growth upon migration. First, movers’ KNCP expenditures relative to non-movers’ decline by 6% during a year before the move, and then increase by 9% during a year after the move. Thus, there is a 3% net increase in relative expenditures from a year before to a year after the move. This net change in movers’ relative expenditures is consistent with that in movers’ relative earnings, which I estimate to increase by 3% over the same 2-year window around the move time. The V-shaped pattern in movers’ relative expenditures departs from predictions of the standard permanent income hypothesis (PIH), which many migration models in the literature implicitly assume. If movers can expect an income increase after moving, the PIH predicts movers to raise their spending upon deciding to move, not subsequently. I see similar spending responses to moving for non-storable foods, implying that the V-shaped response does not reflect moving households’ dissipating then accumulating inventories. Next, I document that movers’ income growth displays higher variance than non-movers’, both before and after moving. Movers’ expenditure growth also exhibits higher variance than non-movers before and after the move. These findings suggest that movers have higher precautionary savings motives than non-movers. Hence I explore whether the PIH combined with precautionary savings motives is consistent with the documented data moments. I find that a PIH model with a reasonable size of prudence, i.e., a relative risk aversion coefficient between 1 and 2, can match the delayed increase in movers’ expenditures after the move.

The Impact of Expected Returns to Experience on Migration Decisions

Migration is associated with wage increases on average, presumably reflecting a higher valuation of the workers’ skills in their new locations. In terms of permanent income, however, this income gain from moving should be larger for workers whose skills and wages would grow faster regardless of their locations. Therefore, workers expecting higher worker-specific returns to experience have a greater incentive to move for higher wages, all else equal. This paper explores this channel of expected returns to experience for migration decisions using the Survey of Income and Program Participation (SIPP). I construct a measure of household-specific rates of return to experience, assuming variations in the returns reflect heads’ education attainments and calendar times of migration decisions. My estimates show that expected rates of returns to experience do not significantly alter the likelihood of migration. Given that this channel is intertemporal, I discuss possible explanations for the estimation results, including borrowing constraints.
Kaixin Liu

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Education

2016- Now  Ph.D. Candidate in Economics, University of Rochester
   – Committee: Ronni Pavan (Advisor), Lisa Kahn, Kegon Tan
2012-2016  B.S. in Mathematics/ B.A. in Economics, Wuhan University

Interests

Substantive: Labor Economics, Public Economics, Inequality
Methodology: Causal Inference, Computational Methods

Working Papers


2. "Who are Credit Constrained among Unemployed Workers? Answers from Conditional vs Unconditional Income Transfers" (with Victor Hernández) - EEA Young Economist Award 2021

Selected Work In Progress

1. "Do Workers Strategically Store Job Offers?" (with Victor Hernandez)

2. "The Value of Public Health Insurance Reform in China: Alleviating Liquidity Constraints" (with Yalun Su)

3. "Racial Gap in Crowdfunding and BLM Protests" (with Ande Shen, Junda Wang, Jiwei Zhou)

Seminar and Conference

2021: CES Annual, NASMES Summer, University of Rochester, RIDGE forum Labor Series, EGSC (Scheduled), SEA (Scheduled)

2019: Summer School on Social Economics Inequality (HCEO)
HONORS, FELLOWSHIPS, AWARDS, AND GRANTS

2021 Young Economist Award, European Economics Association
2020 Tapan Mitra Prize: Best 5th Year Paper, Empirical Economics, University of Rochester
2018-2019 PEPR Grant, W. Allen Wallis Institute, University of Rochester
2018-2019 Summer Research Grant, University of Rochester
2015-2020 Graduate Fellowship and Tuition Scholarship, University of Rochester

TEACHING EXPERIENCE

2018-2021 Teaching Assistant, University of Rochester
- Graduate level: Research in Applied Economics
- Undergraduate level: Principles of Economics, Econometrics, Labor Economics, Development Economics

OTHERS

Languages: English (fluent), Chinese (native)
Programming Skills: Julia, Stata, R, Python, MATLAB, \LaTeX

REFERENCES

Professor Ronni Pavan (Advisor)  Professor Lisa Kahn
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Professor Kegon Tan
Department of Economics
University of Rochester
Rochester, NY 14627, USA.
Email: ttan8@ur.rochester.edu
"Causes and Consequences of the Re-employment Wage Decrease: New Findings and Policy Implications"
(Job Market Paper)

The negative correlation between re-employment earnings and the unemployment duration has been well-documented, but its causes remain empirically unclear. We use the Spanish Social Security data to disentangle the causes of this negative correlation (free from the selection problem), and assess the policy implications. Our main findings are as follows. Workers react to the exhaustion of unemployment insurance (UI) benefits by sharply reducing their re-employment wage selectivity by 3%. They experience a 1.1% decline in re-employment wage per month of unemployment, due to the deterioration of the labor market opportunities. Our policy experiments show that for workers with short (long) entitlement, UI extensions are more (less) effective than UI replacement rate increases in increasing re-employment wages. We highlight the “mandatory saving” role played by UI extensions to help workers find a job with better wages at the early stage of unemployment.

"Who Are the Credit Constrained Among Unemployed Workers? Answers from Conditional vs. Unconditional Income Transfers"

Do unemployed workers react to cash transfers because of credit constraints? To answer this question, this paper proposes a novel method to assess the severity and the relevance of credit constraints for different groups of unemployed workers, via estimation of their internal interest rate. The only inputs of our method are the labor supply responses of unemployed workers to conditional and unconditional income transfers, free of any parameterization of individuals’ preferences, beliefs, or market structure. To estimate these inputs, we use administrative data from Spain and provide causal estimates of the labor supply responses to changes in potential duration, benefit level, and severance payment, both in the aggregate and for different subgroups. Our results indicate that poorer workers face an internal interest rate 40 percent larger than that of wealthier workers. Furthermore, for poorer workers, credit constraints represent up to 40 percent of the labor supply responses to an increased generosity of unemployment insurance (UI), vs. only 16 percent for richer individuals. Finally, we suggest that redistribution within the UI system, from individuals with long to short entitlement, can reduce both the inefficiency from credit constraints and the aggregate distortion generated by moral hazard.
Roman David Merga

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Nationality: Argentina (F-1 Visa)

Education

2018-2022 Ph.D. Candidate, Economics, University of Rochester (Expected).
2016-2018 M.A. Economics, University of Rochester.
2014 B.Sc. in Economics, Universidad del Salvador, Argentina.

Research Fields

International Trade, International Macroeconomics and Macroeconomics.

Working Papers

"International Trade, Volatility, and Income Differences" (Job Market Paper)
"Real Exchange Rate Uncertainty Matters: Trade, Shipping Lags, and Default"
"Fighting Income inequality with International Trade" (joint with Victor Hernandez)

Selected Work In Progress

"Pricing to Clients and the Pass-Through of Shocks" (joint with Armen Khederlarian)

Conference & Seminar Presentations

2020: GISPE workshop, Centro de Estudios Macroeconomicos Argentina (CEMA University), KERIC conference, Pontificia Universidad Católica de Chile.

Honors, Fellowships, Awards, and Grants

2021-2022 Dean’s Post-Field Research Dissertation Completion Fellowship, University of Rochester.
2021 Tapan Mitra Prize, Best 5th-Year Paper, Empirical Economics, University of Rochester.
2021 Dissertation Intern, Federal Reserve Bank of St. Louis.
2021 Americas Center Graduate Dissertation Intern, Federal Reserve Bank of Atlanta.
2016-2021 Economics Department Ph.D. Fellowship and Scholarship, University of Rochester.
2020-2021 Ronald Jones Scholar, University of Rochester.
2021 Human Studies Fellowship, Institute for Human Studies.
2020 River Campus Data Grant, University of Rochester.
2020 Human Studies Fellowship, Institute for Human Studies.
2019-2020 The Wallis Institute of Political Economy Fellowship, University of Rochester.
2019 The Conibear Prize for the Best Third Year Paper, University of Rochester.
2018 Summer Research Grant, University of Rochester.
2014 Best GPA in the Bsc in Economics, Universidad del Salvador, Argentina.
2014 Summa Cum Laude, Universidad del Salvador, Argentina.

TEACHING EXPERIENCE

INSTRUCTOR

2020 Summer Principles of Economics (Undergraduate), University of Rochester. Summer 2020

TEACHING ASSISTANT

2018-2020 Macroeconomics (Graduate), University of Rochester. Fall.
Instructor: Prof. George Alessandria.
2019 Spring Money, Credit and Banking (Undegraduate), University of Rochester.
Instructor: Prof. Narayana Kocherlakota.
2018 Spring Intermediate Macroeconomics (Undegraduate), University of Rochester. Spring.
Instructor: Prof. Dan Lu.
2018-2019 Pricing Policies (Graduate), Simon Business school, University of Rochester. Fall.
Instructor: Prof. Greg Shaffer.
2015-2016 Introduction to Statistic and Probability (Undegraduate), Torcuato Di Tella University.
Instructor: Prof. Andrea Rotnitzky.
2015-2016 Macroeconomics (Undegraduate), Torcuato Di Tella University. Fall.
Instructor: Prof. Emilio Espino.
2014 Microeconomics 1 (Undegraduate), Torcuato Di Tella University. Fall.
Instructor: Prof. Hernán, Ruffo.

PREVIOUS EMPLOYMENT

Analyst of the Telecommunication market in Latin America, “Convergencia Research”, 2013-2014

OTHERS

Computer Skills: Julia, Stata, Matlab, LaTeX
Languages: English (Fluent), Spanish (Native), Italian (Basic)
REFERENCES

George Alessandria (Advisor)
Department of Economics
University of Rochester
280 Hutchison Road
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Joseph B. Steinberg
Department of Economics
University of Toronto
150 St. George Street
Toronto, ON M5S 3G7
Canada
E-mail: joseph.steinberg@utoronto.ca
International Trade, Volatility, and Income Differences

(Job Market Paper)

Poor countries export less than rich countries. I find that these differences in trade between rich and poor countries are largely due to poorer countries being more volatile at both the macro and the microeconomic level. At the cross-country level, I find that 40% of the relationship between total exports and GDP per capita is explained by country’s volatility. Using Colombian micro-level data, I show that exporters facing higher volatility export less. In particular, those exporters facing more volatility grow at slower rates. I document that this is due to domestic volatility discouraging a particular type of investment, the market-specific investment exporters do to grow in foreign markets. Motivated by these firm-level facts, I develop a dynamic model of international trade with variable price elasticity. Once I estimate the model I show that allowing for these micro-level mechanisms to operate in an standard model of new exporter dynamics is sufficient to generate the negative relationship that exist between volatility and exports at both the aggregate and firm level. Furthermore, I find that standard models of new exporters dynamics can not. I conclude by arguing that these results shows that achieving the predicted gains of eliminating the differential trade frictions is a task harder than we thought.

Real Exchange Rate Uncertainty Matters.
Trade, Shipping Lags, and Default

I propose a new time-varying measure of real exchange rate uncertainty, and I show that there is a negative relationship between this measure and international trade at the aggregate level. A one standard deviation increase in the real exchange rate uncertainty is associated with a 5% drop in total trade over GDP. Then, using Colombian firm-level data, I document 3 firm-level facts consistent with the existence of a precautionary margin in international trade. When real exchange rate uncertainty increases, exporters, 1) reduce their export intensity; 2) are more likely to stop exporting and 3) are less likely to start exporting to new markets. Additionally, I find that this behavior is mostly explained by exporters that pay higher interest rates and face higher shipping lags. These results contrast with the predictions from standard sunk cost models of international trade. I incorporate firm-level debt default and international shipping lags into a standard dynamic model of trade. In the new model, an increase in the real exchange rate uncertainty increases the probability for exporters to end up in a financially vulnerable situation. To hedge against this risk, exporters respond by increasing mark-ups or quitting the export market, generating a drop in aggregate exports through both the intensive and the extensive margin of trade. Once this extension is calibrated to match firm-level Colombian data, it predicts that a one standard deviation increase in the real exchange rate uncertainty generates a drop in total exports of around 6%.

Fighting Income Inequality With International Trade
(with Victor Hernandez)

How does international trade affect the wage distribution across workers? We use detailed administrative employer-employee data that covering 1987 to 2004 to answer this question. Using a new instrumental variable approach to disentangle the effects that trade openness has over the distribution of income and wages, we document that an increase in local trade exposure reduces wage inequality. Furthermore, we show that this result is associated with changes happening at the within-industry and within-firm levels. These changes lead to increases in the relative demand for low-wage and low-skill type of worker. At the within-industry level, trade openness reallocates workers towards small firms and low-skilled jobs. At the within-firm level, small firms increase their labor intensity and the average amount of workers, while larger firms reduce it in response to changes in trade openness. We argue that these firm-level responses are the root of the increase in the relative demand for low-wage workers.
Tianchen Song
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Education
Ph.D. in Economics, University of Rochester, 2022 (expected)
B.A. in Mathematical Economics, Wuhan University, 2016

Research Fields
International Trade, Multinationals

Working Papers
“Multinational Expansion, Shareholding Choice, and Local Know-How”
“Dynamics of Firms Geographic Concentration and Productivities”, with Dan Lu and Daniel Xu

Work in Progress
“What Do Alibaba Data Tell Us about Quality Growth in China?”, with Mark Bils, Min Fang, Zibin Huang
“Conglomerate Market Power”, with Min Fang and Xiaomei Sui

Teaching Experience
Teaching Assistant, University of Rochester
2020 Spring  ECO231 Econometrics
2019 Spring  ECO209 Intermediate Macroeconomics
2019 Fall  ECO230 Economic Statistics
2018 Fall  ECO268 Economics of Globalization

Fellowships, Scholarships, and & Awards
Graduate Fellowship and Tuition Scholarship, University of Rochester, 2016-2021
Norman M. Kaplan Memorial Prize, University of Rochester, 2018
Ronald Jones Scholarship, University of Rochester, 2018
Lionel and Blanche McKenzie Family Scholar, University of Rochester, 2017
Alibaba Huoshui Scholar (Data Access), Alibaba Group, 2018

Others
Languages: English (fluent), Chinese (native)
Computer Skills: Stata, Python, R, MATLAB

References
Professor George Alessandria (Advisor)
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Professor Dan Lu  
Department of Economics  
The Chinese University of Hong Kong  
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Professor Yan Bai  
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Multinationals Expansion, Shareholdings Choice, and Local Know-How

Tianchen Song

September 27, 2021

Abstract

The shareholdings of French multinational enterprises (MNE) differ across destination countries and across individual MNE’s life cycles. The average shareholdings are larger in countries that are highly-developed, geographically, and culturally closer to France; productive MNEs match with productive local firms; MNEs follow a gradual internationalization process where foreign experience increases the average shareholdings of following affiliates and the probability of wholly-owning. I build and calibrate a dynamic model featuring heterogeneous firms in both mobile know-how (MLH), transfer of local know-how (LKH) from partners, and accumulation of LKH for future entries. The composition of LKH and MLH determines MNE’s entry decision. The model can generate a positive assortative matching pattern as in the data. Compared with a static model, the dynamic model predicts a much larger contribution of LKH and production loss to ownership restriction, which cannot be recovered using static data. In a counterfactual where the LKH transfer cost of Romania is set equal to Germany, French MNE production will increase by 80%, where 30% coming from dynamic effects.
Jose Villegas

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Education

Ph.D. in Economics, University of Rochester, USA, 2016-2021 (expected)
M.A in Economics, University of Rochester, USA, 2018.
M.A in Economics, Georgetown University, USA, 2015.
B.A. in Economics, Universidad Mayor de San Andres, Bolivia, 2013.

Research Fields


Working Papers

“Employment Fluctuations, Collateral Channel and Property Taxes” (Job Market Paper)
“Maturity, Leverage and Investment Decisions of Firms During a Sovereign Debt Crisis”

Teaching Experience

Instructor, University of Rochester
Economic Statistics (Undergraduate) – (Summer 2019, 2020)

Teaching Assistant, University of Rochester
Economic Statistics (Undergraduate) – Professor Bin Chen (Spring 2019, 2020, Fall 2020)
Economics of Globalization (Undergraduate) – Professor Gaston Chaumont (Fall 2018, 2019)
Econometrics (Undergraduate) – Professor Tan Kegon (Spring 2021)

Fellowships, Scholarships, and Awards

Graduate Fellowship and Tuition Scholarship, University of Rochester, 2016-2020
Summer Research Grant, University of Rochester Summer 2017, 2018

Others

Languages: Spanish (native), English (fluent)
References

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**Professor George Alessandria**
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Employment Fluctuations, Collateral Channel and Property Taxes

(Job Market Paper: Extended Abstract)

In this paper I study the effect of changes in the value for real estate assets on employment. In particular, I want to understand the relative importance of the firm’s collateral channel and housing wealth channel on employment after a drop in real estate values. First, I construct a model with two types of real estate assets one used by households and the other by firms (i.e houses and commercial real estate), owners of real estate need to pay differentiated property taxes to the government. Using the equilibrium solution for prices and allocations I obtain the employment response to an increase in property tax rates. The model provides an additive decomposition of the effect on employment after an increase in property taxes. Particularly, if property taxes change there will be two channels working on employment: (i) housing wealth/firm’s collateral and (ii) GE price adjustment. While the wealth channel is captured by a change in the tax rate for houses, the collateral channel is captured by change in the tax rate for commercial real estate. Moreover, the elasticity of house prices, commercial real estate prices and household consumption to property taxes are sufficient statistics for the model-implied response of employment to a property tax change. Next, I estimate the latter elasticities using the 2012 Italian property tax reform, I exploit the large geographical variation in property tax rate changes across municipalities to estimate its effect using a difference-in-difference strategy. The reduced form evidence shows that municipalities with a higher increase in property taxes experienced lower growth in non-tradable employment, household consumption, housing prices and commercial real estate prices. I calibrate the model to match the estimated elasticities of house price, commercial real state price and household consumption to property taxes. To validate the model I compare the implied employment elasticities with the ones estimated using data on the Italian tax reform, in this regard the model does a fairly good job. Finally, I quantify the relative importance of the two channels on employment growth. The model predicts that 83% of the effect on employment after an increase in taxes for commercial real estate is explained by the collateral channel, while the housing wealth channel explains 77% of the employment response to a change in the tax for houses. The collateral channel is marginally dominant due to its direct impact on firms’ labor demand, whereas the housing wealth channel affects demand for employment only indirectly through a change in the demand for goods that firms produce. The quantitative results suggest that both channels are important to understand the effect of real estate price shocks on employment.
Maturity, Leverage and Investment Decisions of Firms During a Sovereign Debt Crisis

This paper study the effect of maturity and leverage decisions on the response of firms' investment to changes in the sovereign spread. The paper use firm-level data for Italy during the period 2007-2015. The empirical results show that the response of firms' investment to changes in the sovereign spread will differ depending on the choices of leverage and maturity made by the firm. For high leverage firms, an increase in the sovereign spread by 100 basis points is associated with a decrease of 0.59 pp. in the growth rate of capital for high maturity firms relative to low maturity firms. For low leverage firms, the same increase in the sovereign spread is associated with an increment of 0.38 pp. in the growth rate of capital for high maturity firms relative to low maturity firms. For firms with low maturity, an increase in the sovereign spread by 100 basis points is associated with a drop of 1.41 pp. in the growth rate of capital for firms with high leverage relative to firms with low leverage. For firms with high maturity, the same increase in the sovereign spread is associated with a drop of 2.41 pp. for the growth rate of capital for firms with high leverage relative to low leverage firms. In order to understand the empirical results, I propose a model where firms can issue risky short-term and long term debt.