

# SANTIAGO FRANCO

sfranco@uchicago.edu – www.santiago-franco.com – (312) 647-7255

<b>Placement Directors:</b>	Ufuk Akcigit	uakcigit@uchicago.edu	(773) 702 0433
	Manasi Deshpande	mdeshpande@uchicago.edu	(773) 702-8260
<b>Graduate Administrator:</b>	Kathryn Falzareno	kfalzareno@uchicago.edu	(773) 702-3026

## Office Contact Information

---

University of Chicago, Kenneth C. Griffin Department of Economics  
Saieh Hall for Economics  
5757 S University Ave  
Chicago, IL 60637

## Education

---

<b>University of Chicago</b> , Ph.D. Economics	2018-2024 ( <i>expected</i> )
<b>Universidad de los Andes, Colombia</b> , B.A. Economics	2017
<b>Universidad de los Andes, Colombia</b> , B.S. Mathematics	2017

## References

---

Esteban Rossi-Hansberg (Chair) University of Chicago Kenneth C. Griffin Department of Economics rossihansberg@uchicago.edu (650) 714-2093	Chang-Tai Hsieh University of Chicago Booth School of Business chsieh@chicagobooth.edu (773) 834-0590
Ufuk Akcigit University of Chicago Kenneth C. Griffin Department of Economics uakcigit@uchicago.edu (773) 702-0433	Erik Hurst University of Chicago Booth School of Business erik.hurst@chicagobooth.edu (773) 834-4073

## Research and Teaching Fields

---

Primary:	Macroeconomics, Spatial Economics
Secondary:	International Trade, Economic Growth, Productivity

## Job Market Paper

---

### Output Market Power and Spatial Misallocation

*Abstract: Most product industries are local. In the U.S., firms selling goods and services to local consumers account for half of total sales and more than sixty percent of jobs. Competition in these industries occurs in local product markets: cities. I propose a theory of such competition in which firms have output market power. Spatial differences in local competition arise endogenously due to the spatial sorting of heterogeneous firms. The ability to charge higher markups induces more productive firms to overvalue locating in larger cities, leading to a misallocation of firms across space. The optimal policy eliminates markups and incentivizes productive firms to relocate to smaller cities, providing a rationale*

*for commonly used place-based policies. I use U.S. Census establishment-level data to estimate markups and to estimate the parameters of the model. I document a significant heterogeneity in markups for local industries across U.S. cities. Cities in the top decile of the city-size distribution have a fifty percent lower markup than cities in the bottom decile. I use the estimated model to quantify the general equilibrium effects of place-based policies. Policies that remove markups and relocate firms to smaller cities yield sizable aggregate welfare gains.*

## Working Papers

---

### **Estimating Production Functions in Differentiated-Product Industries with Quantity Information and External Instruments** (with Nicolas de Roux, Marcela Eslava, and Eric Verhoogen)

*Abstract: This paper highlights shortcomings of standard methods of production-function estimation when quality or variety vary at the firm level and develops a new approach that can be applied in such contexts. We take advantage of input and output quantity data from Colombian producers of rubber and plastic products. Using constant-elasticity-of-substitution aggregators of outputs and material inputs at the firm level, we derive a simple expression showing how quality and variety choices may bias standard estimators. Using real exchange rates and variation in the “bite” of the national minimum wage, we construct external instruments for materials and labor choices to supplement standard internal instruments. We implement a two-step instrumental-variables method, estimating a difference equation to recover the materials and labor coefficients and then a levels equation to recover the capital coefficient. A simple Monte-Carlo simulation illustrates the advantages of our method in a setting with firm-level input-quality differences.*

### **(In)formal Growth: Wage Dynamics in Developing Economies** (with Jose M. Quintero)

*Abstract: Labor informality is pervasive in developing economies. In this paper, we investigate the interconnection between informal labor, human capital accumulation, and economic growth. How do informal labor markets affect human capital accumulation, and vice versa? What are the aggregate effects of this interaction on growth and welfare? Using panel data from Chile and Colombia, we explore the dynamics of the formal and informal sectors by documenting two new empirical facts. First, wages for formal workers increase significantly more over the life cycle than wages for informal workers. Second, a substantial portion of this formal wage premium is attributable to workers’ skill-based sorting. To rationalize these patterns, we build an endogenous growth model where heterogeneous workers sort into formal and informal labor markets based on their potential earnings. Worker’s human capital increases over their life cycle through interactions with other workers. In equilibrium, more knowledgeable workers sort into the formal sector, and the growth rate of the economy is determined by the rate at which all workers meet more knowledgeable formal workers. We structurally estimate the parameters of the model and use it to quantify the effect of formalization policies. We find that policies that decrease the cost of operating formally are more effective in reducing the size of the informal sector compared to policies that increase the cost of producing informally. However, both types of policies have adverse effects on economic growth by lowering the quality of interactions of more skilled workers.*

## Work in Progress

---

### **Aggregate TFP Growth and Quality Change: Evidence from Colombian Manufacturing** (with Danial Lashkari and Eric Verhoogen)

### **Copcats or Pioneers? Firm Dynamics in an Informal Economy** (with Jose M. Quintero)

## Awards, Scholarships, and Grants

---

University of Chicago Data Funds Award (\$3,000)	2023
University of Chicago Henry Morgenthau Jr. Memorial Fellowship	2023-2024
University of Chicago Mansueto Institute Urban Doctoral Fellow	2020-2021
University of Chicago Neubauer Fellowship	2018-2023
Universidad de los Andes <i>Cum Laude</i> degree in economics	2017
Universidad de los Andes Ulpiano Ayala award (best undergraduate thesis in economics)	2017

## Teaching Experience

---

Spatial Economics (Ph.D.)	TA for Prof. Rossi-Hansberg	Winter 2023
International Commercial Policy (MBA)	TA for Prof. Adao	Fall 2020, 2021
Macroeconomics Honors (undergraduate)	TA for Prof. Mongey	Winter, Spring 2021
Math Camp (Ph.D.)	Lecturer	Summer 2021

## Research Experience and Other Employment

---

Research Assistant for Prof. Rossi-Hansberg, University of Chicago	2022–2023
Research Assistant for Prof. Adao, University of Chicago	2021
Research Assistant for Prof. Akcigit, University of Chicago	2019–2020
Research Assistant for Prof. Verhoogen, Columbia University	2015–2018
Research Assistant for Prof. Camacho, Universidad de los Andes	2014

## Professional Experience

---

<b>Presentations</b>	<i>Northwestern (2023), Lacea-Lames (2021), Ames (2021)</i>
<b>Refereeing Activity</b>	<i>Journal of Political Economy, The Economics of Creative Destruction</i>
<b>Data Clearances</b>	<i>U.S. Census Bureau Special Sworn Status</i>