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Education

Harvard University
Ph.D. Economics, 2018 to 2024 (expected)

Dartmouth College
Bachelor of Arts (Economics, with high honors, and Mathematics), *summa cum laude*, 2016

Fields

Primary: Finance
Secondary: Macroeconomics

References

Gabriel Chodorow-Reich
Professor, Harvard Economics
chodorowreich@fas.harvard.edu

Samuel Hanson
Professor, HBS Finance
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Jeremy Stein
Professor, Harvard Economics
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Adi Sunderam
Professor, HBS Finance
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Fellowships & Awards

Class Salutatorian, Dartmouth College 2016

Nelson A. Rockefeller Prize, Dartmouth College, 2016

Phi Beta Kappa (Junior Year), Dartmouth College, 2015

Teaching

PhD Corporate Finance and Banking, Harvard, teaching fellow for Professor Sam Hanson and Professor Adi Sunderam

Research

Research Assistant, Harvard University, Sam Hanson, Jeremy Stein, and Adi Sunderam, 2018

Research Analyst, Federal Reserve Bank of New York, Gara Afonso and Nicola Cetorelli, 2016-18

Job Market Paper

Credit Cycles, Firms, and the Labor Market (with Omeed Maghzian)

We use administrative data from the U.S. Census Bureau to estimate the causal effects of loose credit conditions on firm employment and worker earnings. To obtain quasi-random variation in firms' exposure to credit booms, we exploit the segmentation of high-yield (BB+ rated) versus investment grade (BBB- rated) firms in credit markets. Loose credit conditions generate cyclical fluctuations in employment: high-default risk firms create jobs during the credit boom, but then experience financial distress and destroy these jobs during the ensuing bust. We show that these firm-level boom-bust

dynamics are transmitted to individual workers. To obtain quasi-random variation in workers' exposure to boom-induced job creation, we exploit the importance of parental connections in determining where labor market entrants are first employed. We find that recent high-school graduates with parents at high-yield (BB+) firms can more easily find high-paying jobs during credit booms, compared to graduates with parents at investment-grade (BBB-) firms. But ten years later, graduates whose parents were at BB+ firms have substantially lower earnings. The magnitude of these negative long-term effects is comparable to the effect of entering the labor market during a recession. Our results suggest that loose credit market conditions lead firms to create short-lived jobs that impede workers' long-run accumulation of human capital.

Working Papers

The Labor Market Spillovers of Job Destruction (with Omeed Maghzian)

Should policymakers aim to directly prevent job destruction in recessions? The answer depends on the extent to which worker job losses change equilibrium outcomes by congesting the labor market. In a model with search frictions and heterogenous jobs, we show that the externality of a lost job is negative for workers and positive for firms, with the overall magnitude dependent on the speed with which firms replenish lost jobs. We then use administrative microdata to quantify the equilibrium spillover effects of job destruction in the cross-section of U.S. labor markets for 1997-2015. We provide conditions under which we can use the employment decisions of large, national firms to identify labor market spillovers. Workers who lose jobs in labor markets with a one percentage point increase in local job destruction experience a 1.2% reduction of earnings over six years, half of which is a result of lower employment. Our estimates imply that job destruction accounts for about one-fourth of the cyclicality of worker job loss in our sample. We calibrate a job ladder model to our spillover estimates on workers. Our quantitative model implies that using employment subsidies to smooth job destruction following aggregate shocks is welfare-improving.

Investor Composition and Overreaction (with Spencer Kwon and Johnny Tang)

Do stock price run-ups predictably revert? We develop a model of financial markets with two types of investors: rational investors and "oversensitive" investors who react excessively to salient public news. The model yields a summary statistic for the degree to which a stock price has overreacted to news: the gap in holdings between oversensitive and rational investors. We compute this measure empirically using quarterly institutional holdings data. We first measure each investor's news sensitivity using their tendency to purchase stocks that have experienced positive earnings announcements. Consistent with our model's premise, we find that news sensitivity is a persistent investor characteristic. We next aggregate our investor-level measure to the stock level to compute the asset-level holdings gap between oversensitive and rational investors. A larger holdings gap forecasts less continuation in stock prices and greater reversals in the long run, especially for extreme price run-ups. Furthermore, our holdings gap aggregates several distinct channels of overreaction, including both price extrapolation and overreaction to non-price information.

Credit disruptions, firm hysteresis, and reallocation: The role of product market competition

I analyze the extent to which transitory credit disruptions can induce long-lasting structural changes on firms and industries by allowing financially healthy firms to persistently gain market share from distressed ones. I examine the 2008-09 Global Financial Crisis using the bank shift-share instrument of Chodorow-Reich (2014) as a measure of firm-level exposure to the crisis. I first show that relatively exposed firms experience persistent post-crisis employment losses, and that this persistence is largely explained by the exit of these firms from certain geographic product markets. Turning to a firm-by-market level analysis, I find that exposed firms disproportionately exit markets in which competitor firms are relatively unaffected by the crisis. This interactive competitor effect can explain 20-50% of the long-term firm-level effect of the shock. Several pieces of evidence suggest a key role for product market displacement forces: competitor crisis exposure only matters when defined within the firm's narrow industry; the estimated effect is stronger in industries with

higher proxied advertising expenditures; and the financial health of small businesses matters for exposed firms' exit decisions. Markets with higher dispersion in firm exposure to the Global Financial Crisis experienced significantly more labor reallocation and increases in concentration post-crisis.

Financial Acceleration and Employment: A Regional Approach (with Adriano Fernandes)

How do firms shape the transmission of macroeconomic shocks and policy? Financial accelerator theories emphasize the role of firm-level financing frictions in amplifying the macroeconomic impact of aggregate shocks. While this literature generally focuses on capital investment, we consider how the effects of monetary shocks are amplified through links between financing frictions and labor demand. Under financial acceleration, firms reduce labor demand as financing constraints become more severe in response to adverse shocks, lowering labor income and thereby aggregate demand. We empirically test this channel with a "micro-to-macro" approach based off the universe of US public firms. We first show that firms that ex ante appear to be relatively financially constrained contract employment more after a monetary tightening. We then assess the aggregate implications of this employment channel through a regional design. We construct measures of a given county's exposure to public firms with differential financial constraints, and document that more exposed counties exhibit stronger employment declines following contractionary monetary shocks. Preliminary evidence suggests that within-county spillovers of constrained firms to the regional labor market are concentrated in non-tradable establishments, suggesting that interactions between aggregate demand and financial amplification through employment may be operative.

Policy Pieces

How Should U.S. Bank Regulators Respond to the COVID-19 Crisis?
(with Sam Hanson, Jeremy Stein, Adi Sunderam), 2020,
background paper for the Hutchins Center webinar, "COVID-19 and the financial system: How resilient are the banks? How are they supporting the economy?" on June 4, 2020

Book Chapters

Bank and Real Economic Activity (with Nicola Ceterolli), 2022, Chapter in
The Oxford Handbook of Banking, 3rd Edition, Allen N. Berger, Phillip Molyneux, and John Wilson Eds., Series: Oxford Handbooks in Finance, Oxford University Press

Academic Service

Referee: *Quarterly Journal of Economics*

Research Grants

Molly and Domenic Ferrante Fund, Harvard University 2021

Chae Family Fund, Harvard university, 2022

Software skills

Stata, R, MATLAB