SEBASTIAN GRAVES

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Education

2015 - 2020	Ph.D. in Economics, NYU
2014 - 2015	MSc in Economics, LSE *Distinction, Sir John Hicks Prize for Outstanding Performance*
2009 - 2012	BA in Economics, University of Cambridge *First Class Honours*

Work and Research Experience

2020 -	Economist, Federal Reserve Board
2019	Dissertation Fellow, Federal Reserve Board
2016 - 2019	Research Assistant for Thomas Sargent and Simon Gilchrist
2012 - 2014, 2015	Economist, European Economics Research, Goldman Sachs
2011	Summer Intern, Bank of England

Publications

1. The Inflationary Effects of Sectoral Reallocation (with Francesco Ferrante and Matteo Iacoviello) **(Journal of Monetary Economics, Forthcoming)**

   Abstract: The COVID-19 pandemic has led to an unprecedented shift in household consumption expenditures from services to goods. This paper studies the effect of such demand reallocation in a multi-sector New Keynesian model featuring input-output linkages and frictions to increasing factor inputs in the form of hiring costs. These costs hamper the adjustment of the supply of goods in response to the shift in demand, causing inflationary pressures which propagate through the production network. The inflationary effects of the demand reallocation shock are amplified by the fact that goods prices are more flexible than those of services. We take the model to the data and estimate a version that allows for reallocation shocks, idiosyncratic productivity shocks at the sectoral level, and an aggregate labor supply shock. The demand reallocation shock can account for a large portion of the rise in U.S. inflation in the aftermath of the pandemic.

2. The State Dependent Effectiveness of Hiring Subsidies **(AEJ: Macroeconomics, April 2023)**

   Abstract: The responsiveness of job creation to shocks is procyclical, while the responsiveness of job destruction is countercyclical. This new finding can be explained by a heterogeneous-firm model in which hiring costs lead to lumpy employment adjustment. The model predicts that policies that aim to stimulate employment by targeting the job creation margin, such as hiring subsidies, are significantly less effective in recessions: These are times when few firms are near their hiring threshold and many firms are near their firing threshold. Policies that target the job destruction margin, such as employment protection subsidies, are particularly effective at such times.

3. Unemployment Insurance Financing as a Uniform Payroll Tax (with Jonathon Hazell, Walker Lewis and Christina Patterson) **(AEA Papers & Proceedings, May 2022)**

   Abstract: In the United States, unemployment insurance is financed by taxes levied on employers. We develop a model to decompose UI taxes into a firing tax component, levied on firms that layoff workers, and a uniform payroll tax component, levied on all firms regardless of their layoffs. We develop a novel methodology to measure the two components and document a number of facts about the uniform payroll tax component: it is large, accounting for just under half of UI taxes, it rises significantly after recessions, and it is more cyclical in states with poorly funded UI system.

Working Papers

1. Does Unemployment Risk Affect Business Cycle Dynamics? **(Revise and Resubmit, AEJ: Macroeconomics)**

   Abstract: In this paper, I show that the decline in household consumption during unemployment spells depends on both liquid and illiquid asset positions. I also provide evidence that unemployment spells predict the withdrawal of illiquid assets, particularly when households have few liquid assets. Motivated by these findings, I embed endogenous unemployment risk in a two-asset heterogeneous-agent New Keynesian model. The model is consistent with the above evidence and provides a new propagation mechanism for aggregate shocks due to a flight-to-liquidity that occurs when unemployment risk rises. This mechanism implies that unemployment insurance plays an important role as an automatic stabilizer, particularly when monetary policy is constrained.

2. The Labor Demand and Labor Supply Channels of Monetary Policy (with Christopher Huckfeldt and Eric Swanson)

   Abstract: Monetary policy is conventionally understood to influence labor demand, with little effect on labor supply. Using high-frequency changes in interest rates around FOMC announcements and Fed Chair speeches, we find that contractionary monetary policy shocks lead to a significant increase in labor supply by reducing the rate at which workers quit jobs to non-employment and stimulating job-seeking behavior among the non-employed. Holding the response of supply-driven labor market flows fixed, the overall procyclical response of employment to monetary policy becomes nearly twice as large.

Work In Progress

1. The Effect of Social Security Reform on Labor Supply Elasticities (with Victoria Gregory, Lars Ljungqvist, and Thomas Sargent)

   Abstract: The design of the social security system has large effects on labor supply, particularly relating to retirement decisions. In this paper, we embed an endogenous retirement decision in the classic framework of Heckman, Lochner, and Taber (1998). If the social security system is such that delaying retirement means forgoing social security benefits, then there is a strong incentive to retire at the official retirement age, and labor supply elasticities are low. If all individuals receive benefits after the official retirement age, regardless of their work status, labor supply elasticities are significantly higher. In recent years, the US social security system has become more actuarially fair with respect to the decision to delay social security benefits; our model suggests that such reforms will have raised the aggregate elasticity of labor supply.

Conference and Seminar Presentations

2022: Bank of Finland/CEPR Conference: Monetary Policy in the Post-Pandemic Era, Cleveland Fed/ECB: Inflation: Drivers and Dynamics Conference , European Commission/CEPR Conference: The COVID-shock and the new macroeconomic landscape, Midwest Macro Conference (Spring), International Research Forum on Monetary Policy (discussant), ASSA
2020: UCSD, Northwestern (Kellogg), Rutgers, Federal Reserve Board, HEC Montréal, Federal Reserve Board External Webinar Series

2019: Federal Reserve Board, Washington University in St. Louis (EGSC), New York University
2018: Young Economist Symposium, Young Economist Symposium (discussant)

Referee

AEJ: Macroeconomics, Journal of Economic Dynamics and Control, Macroeconomic Dynamics, Review of Economic Dynamics, Review of Economic Studies

Teaching Experience

2020 (Fall) & 2021 (Fall)	Data Analysis and Financial Literacy in R (Econ-181), Howard University, Project Advisor
2018 (Summer & Fall)	Statistics (ECON-UA 18), NYU, Teaching Assistant for Meixia Ruderman & Timothy Roeper
2017 (Spring)	Macroeconomics II (PhD), NYU, Teaching Assistant for Mark Gertler & Simon Gilchrist
2014 - 2015	Economics A (EC100), LSE, Teaching Assistant for Alan Manning & Mohan Bijapur

Fellowships and Awards

2015 - 2020	MacCracken Fellowship, NYU
2015	Sir John Hicks Prize for Outstanding Performance in the MSc Economics, LSE
2011-2012	Sir Henry Tomkinson Scholarship, Sir Arthur Arnold Scholarship, Ellen McArthur Scholarship, Lilian Knowles Prize x2, Cambridge

References

Simon Gilchrist	Professor of Economics	NYU	sg40@nyu.edu
Thomas Sargent	Professor of Economics	NYU	thomas.sargent@nyu.edu
Mark Gertler	Professor of Economics	NYU	mark.gertler@nyu.edu

Computational Skills

MATLAB, Python, Julia, R, STATA