Sebastian Graves

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Current Employment

2024 -	Assistant Professor, Faculty of Economics, University of Cambridge
2024 -	Official Fellow, Queens' College, University of Cambridge

Education

2015 - 2020	PhD 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)*

Previous Employment

2020 - 2024	Economist/Senior Economist, Federal Reserve Board (Parental Leave: 2021, 2023)
2019	Dissertation Fellow, Federal Reserve Board
2016 - 2019	Research Assistant for Thomas Sargent and Simon Gilchrist, NYU
2012 - 2014	Analyst, European Economics Research, Goldman Sachs

Publications

1. *Time averaging meets Heckman, Lochner, and Taber and Ben-Porath*
   (with Victoria Gregory, Lars Ljungqvist, and Thomas Sargent)
   Review of Economic Dynamics, January 2026

   Abstract: The Heckman, Lochner, and Taber (1998a) (HLT) model includes credit markets and within-period labor supply indivisibilities, two essential features of Ljungqvist and Sargent (2006) "time-averaging" models. But by assuming inelastic labor supplies until a mandatory retirement age, it shuts down time-averaging. We activate time-averaging by endogenizing retirement ages. Our addition of a baseline social security system puts all workers at corner solutions of their retirement decisions, letting our model reproduce most outcomes in HLT's model. By dislodging workers from those corners, social security and tax reforms raise the aggregate labor supply elasticity and can bring about a "dual labor market." HLT's Ben-Porath human capital technologies generate steeper earnings profiles for college-educated workers that in our model make their labor supplies more resilient to tax and social security reforms than high school workers' labor supplies. But nonconvexities inherent in the Ben-Porath technologies can bring "tipping points" at which tax increases cause workers who at lower tax rates had chosen long careers and made substantial human capital investments to jump discretely to choosing much shorter careers and doing much less on-the-job human capital accumulation.

2. *Does Unemployment Risk Affect Business Cycle Dynamics?*
   AEJ: Macroeconomics, April 2025

   Abstract: In this paper, I show that the decline in consumption during unemployment depends on both liquid and illiquid wealth; that unemployment predicts illiquid asset withdrawal, primarily when households have few liquid assets; and that increased idiosyncratic unemployment risk leads to a rise in saving overall, but also to a decline in investment in illiquid assets. Motivated by these new findings, I embed endogenous unemployment risk in a two-asset heterogeneous-agent New Keynesian model. The model is consistent with the new evidence and suggests that aggregate shocks are amplified by a flight-to-liquidity when unemployment risk rises, particularly when monetary policy is constrained.

3. *The Inflationary Effects of Sectoral Reallocation*
   (with Francesco Ferrante and Matteo Iacoviello)
   Journal of Monetary Economics, November 2023

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.

4. *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.

5. *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. *The Labor Demand and Labor Supply Channels of Monetary Policy*
   (with Christopher Huckfeldt and Eric Swanson)
   Revise & Resubmit, Review of Economic Studies

Abstract: Monetary policy is conventionally understood to influence labor demand, with little effect on labor supply. We estimate the response of labor market flows to high-frequency changes in interest rates around FOMC announcements and Fed Chair speeches and find evidence that, in contrast to the consensus view, a contractionary monetary policy shock leads to a significant increase in labor supply: workers reduce the rate at which they quit jobs to non-employment, and non-employed individuals increase their job-seeking behavior. Holding such supply-driven labor market flows constant, the overall decline in employment from a contractionary monetary policy shock becomes twice as large.

Referee

AEJ: Macro; American Economic Review; Economica; European Economic Review; Journal of Economic Dynamics and Control; Journal of Monetary Economics; Journal of Money, Credit and Banking; JPE Macro; Macroeconomic Dynamics; Review of Economic Dynamics; Review of Economic Studies; Review of Economics and Statistics; Quantitative Economics

Conference and Seminar Presentations

*scheduled

2025	Bank of England, Annual Conference of the Search and Matching Network (Vilnius), Theories and Methods in Macro (T2M, Paris), LSE, Nordic Summer Symposium in Macroeconomics (Normac), Oslo Macro Conference, PSE Macro Days, Vienna Macro Cafe (discussant), UCL, Essex SaM Workshop
2024	Queen Mary, Cambridge, Johns Hopkins, Fed System Equitable Growth Conference (FRB New York, discussant), Janeway Institute Cambridge Conference: Frontiers in Macroeconomics, CREi/UPF, London Junior Macro Conference, Conference on Macroeconomic Modelling Frontiers for Research and Policy in Central Banks (ECB), Workshop on Frontiers of Macro-Labor Economics (Heriott-Watt University), Uppsala
2023	CEBRA Annual Meeting (discussant), MMF Annual Conference, Fed System Committee on Macroeconomics (FRB San Francisco), SEA Annual Meeting, Workshop on Empirical Monetary Economics (OFCE/Sciences Po)
2022	ASSA, International Research Forum on Monetary Policy (discussant), Midwest Macro Conference (Utah State), European Commission/CEPR Conference: The COVID-shock and the New Macroeconomic Landscape, Cleveland Fed/ECB: Inflation: Drivers and Dynamics Conference, Bank of Finland/CEPR Conference: Monetary Policy in the Post-Pandemic Era
2020	UCSD, Northwestern (Kellogg), Rutgers, Federal Reserve Board, HEC Montréal, Federal Reserve Board External Webinar Series
2019	Federal Reserve Board, WashU Economics Graduate Student Conference, NYU
2018	Young Economist Symposium

Teaching Experience

2025 -	Macroeconomic Principles II (Part 1 Paper 2), University of Cambridge
2025 -	Macro Labour (PhD22), University of Cambridge
2020 & 2021	Data Analysis & Financial Literacy in R (Econ-181), Howard University, Advisor
2018 (Fall)	Statistics (ECON-UA 18), NYU, TA for Timothy Roeper
2018 (Spring)	Statistics (ECON-UA 18), NYU, TA for Meixia Ruderman
2017 (Fall)	Developing Country Growth (MBA), NYU, TA for Michael Spence
2017 (Spring)	Macroeconomics II (PhD), NYU, TA for Mark Gertler & Simon Gilchrist
2014 - 2015	Economics A (EC100), LSE, TA for Alan Manning & Mohan Bijapur

Fellowships and Awards

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

References

Simon Gilchrist	Professor of Economics	NYU	sg40@nyu.edu
Thomas Sargent	Professor of Economics	NYU	thomas.sargent@nyu.edu
Matteo Iacoviello	Senior Associate Director	Federal Reserve Board	matteo.iacoviello@frb.gov