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2013 (Written): Macroeconomics, Microeconomics

Dissertation Title: *Essays on Market Power and Firm Behavior in International Markets*

Committee:
Professor Costas Arkolakis (Chair)
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Expected Completion Date: May 2018

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Ph.D., Economics, Yale University, 2018 (expected)
M.Phil., Economics, Yale University, 2015

M.A., Economics, Yale University, 2014
M.Sc. (*summa cum laude*), Economics, Bocconi University, 2013
B.Sc. (*summa cum laude*), Economics, Bocconi University, 2011

Fellowships, Honors and Awards:

MacMillan International Dissertation Research Fellowship, 2017-2018
Besen and Dublirer Families Endowed Fellowship, 2016-2017
Carl Arvid Anderson Prize Fellowship, 2015-2016
Yale University Cowles Foundation Fellowship, 2013-2018
Yale University Graduate Fellowship, 2013-2018
Bocconi University Graduate Merit Award, 2011-2013

Teaching Experience:

Yale University

Graduate Macroeconomics	(instructor: G. Moscarini),	Spring 2015
Intermediate Macroeconomics	(instructor: W. Nordhaus),	Spring 2016
Intermediate Macroeconomics	(instructor: M. Peters),	Fall 2014

Research and Work Experience:

Yale University
Research Assistant to Prof. Costas Arkolakis, Yale University, 2014-2017

Bocconi University
Research Assistant to Prof. Antonella Trigari, Bocconi University, 2012
Research Assistant to Prof. Vincenzo Galasso, Bocconi University, 2011

Working Papers:

"Market Power in the Input Markets: Theory and Evidence from French Manufacturing" (November 2017), *Job Market Paper*

"International Prices and Cost-Push Shocks: The Shock Matters" (November 2017)

Seminar and Conference Presentations:

2017: Yale Young Economists Symposium, CREST (Paris)
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Dissertation Abstract

My dissertation examines how market power shapes firm behavior in foreign markets, and how this affects the aggregate economy.

Chapter 1: Market Power in Input Markets: Theory and Evidence from French Manufacturing [Job Market Paper]
Recent years have seen a rise in theoretical and empirical investigations of market power among sellers of goods. By contrast, market power on the *buyers'* side has been largely underexplored. Yet large buyers now figure prominently as a salient feature in many sectors, and their ability to force sellers to lower prices below competitive levels is raising concerns among competition authorities and policymakers. I study buyer power in foreign input markets – a setting where this type of buyer behavior is likely to emerge – and its implications for the aggregate economy.
I first consider a simple setting where cost-minimizing producers choose the optimal quantities of two variable inputs, allowing for imperfect competition in the input markets by modeling input prices as a flexible function of the demand of the firm. I show that input market power can be derived as a function of revenue shares of the inputs, directly observed in most production datasets, and of their output elasticities, which can be obtained from production function estimation.
I apply this framework to study imperfect competition in foreign input markets, using longitudinal data on firm trade and production for French manufacturing firms from 1996-2007. I use disaggregated trade data to construct a measure of input and output prices at the firm level, which I exploit, along with existing control function approaches, to address well-known price biases in production function estimation. My empirical strategy allows me to estimate the extent

to which each firm within an industry has relatively higher buyer power in the foreign input market than in the domestic input market, which I take as the competitive benchmark.

My empirical results show that, even with substantial heterogeneity, firms exercise significant buyer power in the foreign input market. Across industries, I find that average buyer power is high in sectors where input markets are localized, and where production features large economies of scale. These structural characteristics are typical of markets where monopsony power is an issue (e.g. Rogers and Sexton, 1994). Firm-level evidence further shows a positive and significant correlation between buyer power and the size and productivity of the firm.

I then aim to investigate the role of this type of distortion for the aggregate economy, and evaluate its empirical importance in terms of aggregate output, and welfare. To do so, I embed buyer power in a static general equilibrium model of a production economy, and characterize its effect on the equilibrium (mis)allocation of resources across heterogeneous firms. At the firm level, not only does buyer power lower the amount of inputs the firm buys, but it also distorts the optimal input mix, thereby raising total firm costs, and final prices. At the economy level, the estimated cost of this type of distortion is about 0.2% of total GDP in France.

My analysis suggests that policies that spur import market integration can reduce the scope of buyer power and thus play a key role in stimulating aggregate production.

Chapter 2: International Prices and Cost-Push Shocks: The Shock Matters?

Understanding how international prices react to shocks has long been an open question in International Macroeconomics. Existing work almost exclusively relies on evidence on how prices respond to *one* particular type of shock: the exchange rate shock. In this paper, I investigate how export prices react to cost-push shocks that originate from *two* different sources, namely exchange rate and tariff movements. I provide new evidence that, conditional on the size of the shock, export prices react more to exchange rate than to tariff shocks. In other words, the exchange-rate pass-through is larger than the tariff pass-through. This evidence stands in contrast to traditional, static models of international pricing behavior, which predict symmetric pass-through of cost-push shocks. I show that a simple menu cost model of price adjustment, where firms have to pay a cost to adjust prices, can explain the empirical evidence.

Chapter 3: A Sufficient Statistic Result for Estimating Firm-Level Pass-Through (*with C. Arkolakis*)

Estimates of markups and pass-through of heterogeneous firms often rely on regressions of prices on marginal costs, with strong exogeneity assumptions on what is driving changes in costs. This approach is particularly problematic in settings, such as international markets, where multiple shocks are at play, such that hardly any shock can be considered exogenous. We propose a new method to estimate the price response to cost-push shocks, which unlike standard methods does not impose strong restrictions on the data. We show that, in a broad class of models, changes in an individual firm's price can be related to changes in observable variables. This allows backing up the implied changes in firm-level markups from observable quantities. Compared to existing methodologies, ours is more tractable in terms of data and computational requirements.