November 2019

Conor Walsh

Address: Department of Economics
Yale University
New Haven, CT 06520-8268

Telephone: +1 (718) 785 6350

E-mail: conor.walsh@yale.edu

Web page: www.conor-walsh.com

Citizenship: Australian, J-1 Visa (no residence requirement)

Fields of Concentration:
Macroeconomics
Economic Growth
Urban Economics

Desired Teaching:
Macroeconomics

Comprehensive Examinations Completed:
2016 (Oral): Macroeconomics (*with distinction*), International Trade (*with distinction*)

Dissertation Title: *Essays in Economic Growth*

Committee:
Professor Giuseppe Moscarini (Chair)
Professor Costas Arkolakis
Professor Samuel Kortum
Professor Michael Peters

Expected Completion Date: May 2020

Degrees:
Ph.D., Economics, Yale University, 2020 (expected)
M.Phil., Economics, Yale University, 2016
M.A., Economics, Yale University, 2015
Bachelor of International Studies, The University of Sydney (First Class Honours), 2011

Fellowships, Honors and Awards:

Washington Center for Equitable Growth Fellowship ($15,000), 2019
Runner-up Best Student Paper at the Urban Economics Association, 2018
Raymond Powell Teaching Prize, Yale University, 2018
Macmillan Dissertation Research Fellowship, Yale University, 2018
Cowles Foundation Carl Arvid Anderson Prize, Yale University, 2017
Graduate Fellowship, Institute for Social and Policy Studies, Yale University, 2016
Doctoral Fellowship, Yale University, 2014-2019
Honours Scholarship, University of Sydney, 2011
Highest Thesis Mark, Department of Economics, University of Sydney, 2011

Teaching Experience:

Spring 2018 and Spring 2019, Teaching Assistant to Prof. Giuseppe Moscarini, Macroeconomics PhD first year, Yale University

Spring 2017, Teaching Assistant to Prof. Tony Smith, Undergraduate Intermediate Macroeconomics (Honors), Yale University

Fall 2016, Teaching Assistant to Prof. William English, Undergraduate Monetary Policy, Yale University

Research and Work Experience:

Research Assistant to Professor Michael Peters, Yale University 2018
Research Assistant to Professor Costas Arkolakis, Yale University 2016-2018
Consultant, Booz & Company, 2012-2013

Working Papers:

"Firm Creation and Local Growth", *Job Market Paper*

"Declining Dynamism, Increasing Markups and Missing Growth: The Role of the Labor Force" with Michael Peters

"The Returns to Big City Experience: Evidence from Danish Refugees" with Fabian Eckert and Mads Hejlesen (August 2019)

"Growth, Demand and Deleveraging" with Brian Greaney (March 2019)

"Skilled Tradable Services: The Transformation of U.S. High Skill Labor Markets" with Fabian Eckert and Sharat Ganapati (August 2019)

Seminar and Conference Presentations:

2019: Society of Economic Dynamics, Barcelona GSE Summer Forum, Midwest Macroeconomics Meetings

2018: Urban Economics Association, NBER Summer Institute (Urban), Society of Economic Dynamics, Society for the Advancement of Economic Theory, University of Sydney

Referee Service:

Journal of International Economics, Theoretical Economics

Languages:

English (native)

References:

Prof. Giuseppe Moscarini
Yale University
Department of Economics
New Haven, CT 06520
Phone:
giuseppe.moscarini@yale.edu

Prof. Costas Arkolakis
Yale University
Department of Economics
New Haven, CT 06520
Phone:
costas.arkolakis@yale.edu

Prof. Samuel Kortum
Yale University
Department of Economics
New Haven, CT 06520
PO Box
Phone:
samuel.kortum@yale.edu

Prof. Michael Peters
Yale University
Department of Economics
New Haven, CT 06520
PO Box
Phone:
m.peters@yale.edu

Dissertation Abstract

Firm Creation and Local Growth *(Job Market Paper)*

Firm creation is central to many theories of aggregate growth. In this paper, I show that the same force plays a key role in the growth and decline of local areas. Some places grow quickly for many years, and some stagnate. I offer new evidence that a key driver of these differences is the rate of local firm creation.

I first use U.S. Census microdata from the Longitudinal Business Database to document three new facts about firm creation and local growth. First, places with initially high startup rates see long periods of growth in employment and wages. Second, all of this growth comes from the continued entry of new firms. The contribution of any one year's startups to growth is minor, and local incumbents shed employment as a group. Startup rates are very persistent, and their contribution accumulates over time. Third, the lifecycle of firms post-entry is totally independent of the area's size and population density. Firms and establishments in dense areas do not grow faster in size, wages per worker or sales per worker, nor do they exit faster. As far as the firm lifecycle is concerned, agglomeration effects are absent.

I use these facts to propose a simple theory of persistent local growth driven by demand. In the model, a new firm pays a fixed entry cost to invest in a location. In doing so, it brings to the area a new idea or product, raising local productivity. This raises wages and attracts new workers to the area. In turn, the newcomers spend at least part of their income locally, and so incentivize the creation of new entrants. The interaction of firm creation and labor mobility generates persistent growth differences at the local level, and geographical divergence in response to local shocks.

To estimate the quantitative importance of this mechanism, I must confront a key identification challenge. Firms are forward-looking, and shocks that affect future local growth will also affect their startup decisions. To gain identification, I exploit a series of demand shifters for firm creation driven by aggregate structural change. Areas specialized in manufacturing activity in 1975 saw, over the subsequent 40 years, much slower growth in total employment and firm creation in all sectors. Using moment conditions implied by the model, I exploit local variation in employment growth and firm creation that is driven by aggregate shocks to manufacturing to address endogeneity.

The estimated model yields three key takeaways. First, firm creation causes significant gains in employment and wages. A permanent subsidy which raises the number of local firms by 10% causes employment to rise 4% and wages to rise 3%. Second, the dynamic feedback is strong; about half of these gains reflect propagation from labor mobility. In fact, blocking immigration into an area ends up hurting the incumbents, as the resulting startup deficit vastly exceeds the lower competition for pre-existing jobs. Third, firm creation is vital for understanding the local effects of aggregate structural change. I show that a substantial startup deficit has slowed employment growth by almost 50% in the previously manufacturing-intensive U.S. Northeast and Midwest since 1975.

Declining Dynamism, Increasing Markups and Missing Growth: The Role of the Labor Force
with Michael Peters

A growing body of empirical research highlights substantial changes in the US economy during the last three decades. Business dynamism is declining, market power seems to be on the rise, and aggregate productivity growth is sluggish. We show that declines in the rate of growth of the labor force can qualitatively account for all of these features in a frontier model of firm dynamics. We propose two simple ideas from which these conclusions follow: that labor force growth determines the long-run entry rate, and that the entry rate (partially) determines the equilibrium amount of creative destruction. Despite the model's richness, we can characterize the link between population growth and dynamism, markups and growth analytically. When we calibrate the model to the universe of U.S. Census data, we find slowing labor force growth generates quantitatively significant and welfare-relevant changes in markups. However, its role in explaining slow productivity growth is minimal.

The Returns to Big City Experience: Evidence From Danish Refugees
with Fabian Eckert and Mads Hejlesen

We offer causal evidence of an urban wage growth premium. We exploit a government policy of quasi-random settlement of political refugees across labor markets in Denmark between 1986 and 1998. Using matched employer-employee data, we show that refugees initially earn similar hourly wages. However, those placed in Copenhagen see their wages grow 30% faster with each additional year of experience. Differential sorting towards high-wage establishments, occupations, and industries explains a large part of this growth premium. An estimated spatial model of earnings dynamics attributes an important role to unobserved worker ability: more able refugees transition to more productive establishments faster in Copenhagen than in other cities.

Deleveraging, Demand, and Growth
with Brian Greaney

We present empirical evidence that weak household demand contributed to a reduction in firm entry in the Great Recession. Motivated by this evidence, we study the general equilibrium response of aggregate economic growth to a severe deleveraging event. To do so, we combine a standard incomplete markets model with a frontier class of endogenous growth models. A large reduction in credit access causes the zero lower bound to bind, inducing a drop in demand via employment rationing. Decreased demand in turn lowers the return to entrepreneurship and innovation, endogenously depressing productivity. A persistent recession induced by deleveraging can significantly influence growth in productivity. Our main result is a powerful feedback effect: households increase savings in response to future slow growth, exacerbate the fall in demand, and further slow the recovery.

Skilled Tradable Services: The Transformation of U.S. High-Skill Labor Markets
with Fabian Eckert and Sharat Ganapati

We study a group of service industries that are skill-intensive, widely traded, and have recently seen explosive wage growth. Between 1980 and 2015, these "Skilled Tradable Services" accounted for a sharply increasing share of employment among the highest earning Americans. Unlike any other sector, their wage growth was strongly biased toward the densest local labor markets and the highest paying firms. These services alone explain 30% of the increase in inequality between the 50th and 90th percentiles of the wage distribution. We offer an explanation for these patterns that highlights the complementarity between the non-rivalry of knowledge and changes in communication costs.