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# John Finlay

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**Fields of Concentration:**
International Trade
Macroeconomics

**Desired Teaching:**
International Trade
Macroeconomics
Spatial Economics
Applied Econometrics

**Comprehensive Examinations Completed:**
2017 (Oral): International Trade (*with distinction),* Macroeconomics (*with distinction*)
2016 (Written): Macroeconomics, Microeconomics

**Dissertation Title:** *Essays in International Trade and Spatial Economics*

**Committee:**
Professor Michael Peters (Chair)
Professor Samuel Kortum
Professor Lorenzo Caliendo

**Expected Completion Date:** May 2022

**Degrees:**
Ph.D., Economics, Yale University, 2022 (expected)
M.Phil., Economics, Yale University, 2019
M.A., Economics, Yale University, 2018
B.A., Economics (First Class Honours), 2016, University of Cambridge

**Fellowships, Honors and Awards:**

Anderson Prize, Yale University, 2019
Nathan Hale Associates Scholarship, Yale University, 2017, 2021
Senior Scholar, Trinity College Cambridge, 2015 - 2016
Junior Scholar, Trinity College Cambridge, 2014 - 2015
Joan Robinson Prize, Cambridge University, 2015
Kumar Prize, Trinity College Cambridge, 2015

**Teaching Experience:**

Fall 2020, Teaching Assistant to Profs. Ilse Lindenlaub & Marnix Armand, Intermediate Macroeconomics (Undergraduate)
Fall 2019, Teaching Assistant to Profs. Zhen Huo & Fabrizio Zilibotti, Macroeconomics (Graduate)
Spring 2019, Teaching Assistant to Prof. Michael Peters, Intermediate Macroeconomics (Undergraduate)
Fall 2018, Teaching Assistant to Profs. Michael Peters & Fabrizio Zilibotti, Macroeconomics (Graduate)
Summer 2018 & 2019, Teaching Assistant to Prof. William Hawkins, Yale Math Camp (Graduate)

**Research and Work Experience:**

Research Assistant to Profs. Michael Peters and Costas Arkolakis, 2019, Yale University
Research Assistant to Prof. Tiago Cavalcanti, 2015, University of Cambridge

**Working Papers:**

"Exporters, Credit Constraints, and Misallocation", (November 2021), Job Market Paper
"Housing demand, Inequality and Spatial Sorting", (June 2020), with Trevor Williams

**Languages:**

English (native)

**References:**

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## Dissertation Abstract

**Exporters, Credit Constraints, and Misallocation** [Job Market Paper]

When financial markets are imperfect, credit constraints hinder firm growth, distort the allocation of inputs, and lower aggregate productivity. Such constraints are particularly costly when they bind for the most productive firms. I focus on exporters, a group of firms that the international trade literature has identified as uniquely productive. Are exporters credit constrained? Do policies that target exporters — which are ubiquitous, particularly in developing countries — mitigate or worsen misallocation? I answer these questions by combining a natural experiment in India with a quantitative model.

I exploit a directed credit policy in India as a source of exogenous variation in credit supply. Eligibility was determined by a cutoff in physical capital, allowing me to estimate its effects with a regression discontinuity design. Exporters responded strongly to the relaxation of credit constraints caused by the policy: they borrowed more, hired more workers, and sold more output. By contrast, I find no effect on non-exporters. I conclude that credit constraints must be relatively more important for exporting firms.

Motivated by this finding, I build a model of heterogeneous entrepreneurs that links credit constraints and the decision to export. Two forces shape exporting: productivity and access to credit. Which of these dominates determines the relative importance of credit constraints across exporting and non-exporting firms. I estimate the model using the natural experiment, and find that the decision to export is strongly driven by productivity. The result is that credit constraints bind for many exporters; in the model, 37% of exporters and 8% of non-exporters are constrained. Inputs are misallocated and exporters are inefficiently small. In counterfactual experiments, I find that directly relaxing the credit constraint of exporters raises aggregate productivity by 3.33%. However, I also show that subsidizing exporter employment worsens misallocation, because relatively unproductive, unconstrained exporters are the primary beneficiaries.

**Housing demand, Inequality, and Spatial Sorting (**with Trevor Williams)

Housing expenditure shares decline with income. A household's skill level determines its income, and therefore its housing expenditure share, its sensitivity to housing costs and its preferences over different locations. The result is spatial sorting driven by differences in

cost-of-living between skill groups. Increases in the aggregate skill premium amplify these differences and intensify sorting. To quantify this mechanism, we augment a standard quantitative spatial model with flexible nonhomothetic preferences, disciplining the strength of the housing demand channel using consumption microdata. We find that the rising skill premium caused 23% of the increase in spatial sorting by skill since 1980.