

**FATIH KARAHAN**

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## UNIVERSITY OF PENNSYLVANIA

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### **Office Contact Information**

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### **Personal Information:**

Date of Birth: July 5, 1982    Citizenship: Turkish

### **Undergraduate Studies:**

B.S., Industrial Engineering, Bogazici University, High Honor, 2006  
B.A., Mathematics, Bogazici University, High Honor, 2006

### **Masters Level Work:**

M.A., Economics, University of Pennsylvania, 2010

### **Graduate Studies:**

University of Pennsylvania, 2006 to present  
Thesis Title: "Essays in Quantitative Macroeconomics"  
Expected Completion Date: June 2012

### **Thesis Committee and References:**

Professor Dirk Krueger  
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### **Teaching and Research Fields:**

Research Fields: Quantitative Macroeconomics, Urban and Regional Economics, Labor Economics, Search Theory  
Teaching Fields: Macroeconomics, Labor Economics, Mathematics for Economists

### **Teaching Experience:**

Summer, 2008-2011	Math Camp, Instructor
Fall 2011	Managerial Economics, TA for Prof. Olivia S. Mitchell and Prof. Albert Saiz
Spring 2011	Intermediate Macroeconomics, TA for Prof. Ufuk Akcigit
Fall 2010	Microeconomics, TA for Prof. Malleesh Pai
Spring 2010	Industrial Organization, TA for Prof. Ufuk Akcigit
Fall 2009	Topics in Economic Growth, TA for Prof. Moshe Hazan
Spring 2008,2009	Graduate Macroeconomics, TA for Prof. Randall Wright and Prof. Harold Cole
Fall 2008	Introduction to Econometrics, TA for Prof. Flávio Cunha
Fall 2007	Introduction to Microeconomics, TA for Prof. Rebecca Stein

### **Research Experience and Other Employment:**

Feb 2009-May 2011	RA for Prof. Flávio Cunha
Summer, 2007	RA for Prof. Harold Cole

### **Professional Activities**

#### *Referee Service:*

American Economic Review, International Economic Review, Journal of Public Economics, B.E. Journal of Macroeconomics

#### *Conference Presentations:*

2011	ASSA Meeting, Denver
2010	World Congress of the Econometric Society, Shanghai EALE/SOLE Conference, London Midwest Macro Meetings, Lansing MI
2009	SED Annual Meeting, Istanbul

### **Languages:**

English (fluent), German (advanced), Turkish (native)

### **Computer Skills:**

Fortran, C++, Java, OpenMP, Stata, Matlab

### **Honors, Scholarships, and Fellowships:**

Summer 2008, 2009	Judith Rodin Fellowship
Summer 2007	PEW Presidential Prize Fellowship

### **Refereed Publications:**

“Returns to Skills and the College Premium”, *Journal of Money, Credit, and Banking*, Vol. 43, pp. 39-86.  
(joint with Flávio Cunha and Ilton Soares)

### **Research Papers:**

#### **“Geographical Reallocation and Unemployment during the Great Recession: The Role of the Housing Bust” (Job Market Paper)** (joint with Serena Rhee)

This paper quantitatively evaluates the hypothesis that the housing bust in 2007 decreased the geographical mobility of workers and exacerbated unemployment during the Great Recession. We document the following facts regarding local unemployment, housing bust and worker flows during this episode: i) all else being the same, unemployment increased more in MSAs with larger housing busts, and ii) controlling for local economic conditions, population outflows were lower in MSAs with larger housing busts. We construct and calibrate a tractable model of local housing and labor markets and migration. The model is quantitatively consistent with business cycle statistics, the size of gross and net flows across MSAs, and the correlation between net flows and local unemployment prior to the recent recession. A housing bust decreases the amount of home equity,

making it harder to afford a new house after moving due to a down payment requirement. The decline in house prices affects migration decisions and causes more households to look for jobs in MSAs with lower job finding rates. The model accounts for the increase in the dispersion of unemployment across MSAs and the declines in gross and net migration rates during the recession. We find that this mechanism explains around 17% of the rise in unemployment after accounting for the fall in labor productivity.

### **“On the Persistence of Income Shocks over the Lifecycle: Evidence, Theory, and Implications”**

(minor revision requested by the *Review of Economic Dynamics*, joint with Serdar Ozkan)

How does the persistence of earnings change over the life cycle? Do workers at different ages face the same variance of idiosyncratic shocks? This paper proposes a novel specification for residual earnings that allows for an age profile in the persistence and variance of labor income shocks. We show that the statistical model is identified and estimate it using PSID data. We find that shocks to earnings are only moderately persistent (around 0.75) for young workers. Persistence rises with age up to unity until midway in life. The variance of persistent shocks exhibits a U-shaped profile over the life cycle (with a minimum of 0.01 and a maximum of 0.05). These results suggest that the standard specification in the literature (with constant persistence and variances) cannot capture the earnings dynamics of young workers. We also argue that a calibrated job turnover model can account for these non-flat profiles. The key idea is that workers sort into better jobs and settle down as they age; in turn, magnitudes of wage growth rates decline, thereby decreasing variance of shocks. Furthermore the decline in job mobility results in higher persistence. Finally, we investigate the implications of age profiles for consumption-savings behavior. The welfare cost of idiosyncratic risk implied by the age-dependent income process is 34 percent lower compared with its age-invariant counterpart. This difference is mostly due to a higher degree of consumption insurance for young workers, for whom persistence is moderate. These results suggest that age profiles of persistence and variances should be taken into account when calibrating life-cycle models.