Gideon Bornstein

Last updated 8th October, 2018

Northwestern Economics

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Citizenship: Israeli, Polish

Fields

Macroeconomics, International economics

Education

Ph.D., Economics, Northwestern University — 2019 (Expected)

Dissertation: Essays on Consumer Heterogeneity in Macroeconomics
Committee: Martin Eichenbaum (co-chair), Guido Lorenzoni (co-chair), Luigi Bocola, Per Krusell, Sergio Rebelo

M.A., Economics, Northwestern University — 2015

M.A. studies, Economics, Tel Aviv University (joint with Hebrew University) — 2009–2013

B.A., Economics, Open University of Israel — 2009

Fellowships & Awards

Robert Eisner Memorial Fellowship	2016–2017
Distinguished Teaching Assistant Award	2014–2015 and 2015–2016
Northwestern Graduate Fellowship	2013–2018
Tel Aviv University Excellence Scholarship for Academic Achievements	2010–2011
Open University Dean's List	2007–2008
Ministry of Education's academic scholarship for gifted high school students	2004–2008

Teaching Experience

Teaching Assistant, Northwestern University

Graduate Macro I, Prof. Larry Christiano	Fall 2014 and Fall 2015
Graduate Macro II, Prof. Marty Eichenbaum and Guido Lorenzoni	Winter 2015 and Winter 2016
Graduate Macro III for Prof. Luigi Bocola and Matthias Doepke	Spring 2015 and Spring 2016

Research Experience

Research Assistant, Prof. Guido Lorenzoni	Summer 2015, Fall 2017, Winter–Spring 2018
Research Assistant, Prof. David Berger	Winter 2016
Research Assistant, Prof. Giorgio Primiceri	Fall 2015
Research Assistant, Prof. Marty Eichenbaum and Prof. Sergio Rebelo	Summer 2014

Other Experience

Israeli Air Force, Captain	2008–2013
Economic analyst and negotiator at the Material Directorate Budget Branch	2009–2013
Head of IAF Material Directorate Excellence Award	2012
Exemplary Cadet, IDF Officer Training School	2009

Refereeing

AEJ:Macro

Job Market Paper

"Consumer Inertia and Aging: A Macroeconomic Perspective"

Over the past thirty years, the share of young firms in the US has declined while the share of profits in GDP has increased. This paper explores the role of consumer inertia as a driver of these twin phenomena. Using detailed micro-data, I document that consumer inertia has gone up due to the aging of the US population. Empirical evidence using variation across different product categories and temporal variation across different US states suggest a negative relation between consumer inertia and firm formation. I develop a model of entry, exit, and firm dynamics with consumer inertia. The model implies that more consumer inertia makes it more difficult for entrants to establish a customer base and incentivizes large incumbents to raise markups. I calibrate the model using micro-estimates on consumer inertia and data on firm dynamics. According to the model, the rise in consumer inertia can account for a substantial portion of the twin phenomena.

Working papers

"Lags, Costs, and Shocks: An Equilibrium Model of the Oil Industry" with Per Krusell and Sergio Rebelo

We use a new micro dataset to estimate a stochastic industry-equilibrium model of the oil industry. The two main components of the model are convex costs of oil extraction and lags between investment and oil production. The model is able to account for key features of the data such as the high volatility of oil prices as well as the strong correlation between oil prices and investment in the oil industry. This effort is a first step towards studying the importance of ongoing structural changes in the oil market in a general-equilibrium model of the world economy. We analyze the impact of the advent of fracking on the volatility of oil prices. Our model predicts a large decline in this volatility.

"A Continuous Time Model of Sovereign Debt"

I construct a continuous time model of strategic default and provide a numerical algorithm that solves it. I compare the results and computation times to standard discrete time models of sovereign debt. The proposed method is faster than discrete time computation methods while obtaining similar quantitative results. The few differences between the models can all be attributed to a feature in continuous time that is absent in discrete time, costly deleveraging. I solve three variants of the model. The first includes short term maturity bonds only and a constant risk-free interest rate. The second allows for stochastic fluctuations in the risk-free rate. Finally, I extend the model to allow for long term maturity bonds.

"Quantitative Sovereign Default Models and the European Debt Crisis" with Luigi Bocola and Alessandro Dovis

A large literature has developed quantitative versions of the Eaton Gersovitz (1981) model to analyze default episodes on external debt. In this paper, we study whether the same framework can be applied to the analysis of debt crisis in which domestic public debt plays a prominent role. We consider a model where a government can issue debt to both domestic and foreign investors, and we derive conditions under which their sum is the relevant state variable for default incentives. We then apply our framework to the European debt crisis. We show that matching the cyclicality of public debt – rather than that of external debt – allows the model to better capture the empirical distribution of interest rate spreads and gives rise to more realistic crises dynamics.

Publications

"Moral Hazard Misconceptions: The Case of the Greenspan Put" with Guido Lorenzoni
IMF Economic Review, June 2018

Policy discussions on financial market regulation tend to assume that whenever a corrective policy is used ex post to ameliorate the effects of a crisis, there are negative side effects in terms of moral hazard ex ante. This paper shows that this is not a general theoretical prediction, focusing on the case of monetary policy interventions ex post. In particular, we show that if the central bank does not intervene by monetary easing following a crisis, this creates an aggregate demand externality that makes borrowing ex ante inefficient. If instead the central bank follows the optimal discretionary policy and intervenes to stabilize asset prices and real activity, we show examples in which the aggregate demand externality disappears, reducing the need for ex ante intervention.

Languages English (fluent), Hebrew (native)

References

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