MIT Economics

Sarah Gertler

OFFICE CONTACT INFORMATION
MIT Department of Economics
77 Massachusetts Avenue, E52-301
Cambridge, MA 02139
sgertler@mit.edu
https://economics.mit.edu/people/phd-students/sarah-gertler
617-334-5086

MIT PLACEMENT OFFICER
Professor David Autor
dautor@mit.edu
617-253-4669

MIT PLACEMENT ADMINISTRATOR
Ms. Shannon May
shmay@mit.edu
617-324-5857

DOCTORAL STUDIES
Massachusetts Institute of Technology (MIT)
PhD, Economics, Expected completion June 2025
DISSERTATION: "Essays in International Macroeconomics"

DISSERTATION COMMITTEE AND REFERENCES

Professor Dave Donaldson
MIT Department of Economics
77 Massachusetts Avenue, E52-552
Cambridge, MA 02139
(617)-258-6242
ddonald@mit.edu

Professor Arnaud Costinot
MIT Department of Economics
77 Massachusetts Avenue, E52-536
Cambridge, MA 02139
617-324-1712
costinot@mit.edu

Professor Martin Beraja
MIT Department of Economics
77 Massachusetts Avenue, E52-552
Cambridge, MA 02139
617-252-1565
maberaja@mit.edu

Professor David Autor
MIT Department of Economics
77 Massachusetts Avenue, E52-536
Cambridge, MA 02139
617-258-7698
dautor@mit.edu

PRIOR EDUCATION
Dartmouth College — 2017
Economics, Mathematics

CITIZENSHIP United States

GENDER: Female

FIELDS
Primary Fields: International Macroeconomics

Secondary Fields: Trade, Macroeconomics

RELEVANT POSITIONS

Research Assistant for Daron Acemoglu and David Autor — 2019-present

Senior Research Analyst
Federal Reserve Bank of New York — 2017-2019

Research Assistant for Paul Goldsmith-Pinkham
Federal Reserve Bank of New York — 2016

FELLOWSHIPS, HONORS, AND AWARDS

US Census Bureau: solo-authored project approval for multiple papers 2023-2028, Special Sworn Status
National Science Foundation Graduate Fellowship
Dartmouth: Phi Beta Kappa, Rufus Choate Scholar, Presidential Scholar

RESEARCH PAPERS

Exchange Rate Pass-through and Expenditure-Switching Revisited
(*under Census Bureau Project #2874)* **(Job Market Paper)**

Conventional wisdom is that low pass-through of exchange rate movements into trade prices dampens the response of trade quantities to exchange rates. If true, exchange rates lose their expenditure-switching power and allocative role. In this paper, I demonstrate and explain the opposite result. Using confidential US micro-data and a macroeconometric technique applied to panel data, I show that quantity-exchange rate elasticities are similar across high and low pass-through environments. In essence, the low pass-through environment displays a higher import demand (quantity-price) elasticity than the high pass-through environment. I then propose and validate an extension of a standard small open economy New Keynesian model in which both exporting and importing firms are subject to price rigidities. The "import buyer rigidity" causes the importing firm to adjust import demand more for more persistent pass-through. Increasing the exporter's trade price rigidity lowers exchange rate pass-through but also increases pass-through persistence; as a result, low pass-through is associated with a higher import demand elasticity as estimated. I conclude by exploring the implications of this framework for monetary and exchange rate policy, actually finding a stronger expenditure-switching channel under low pass-through.

WORKING PAPERS

The Structural Drivers of Price and Quantity Adjustment: Insights from Tariff and Exchange Rate Pass-through

Why is there complete long-run pass-through of both tariffs and exchange rates in US exports, despite evidence of flexible markups? To answer this question, I develop a methodology to leverage tariffs and exchange rates to uncover the structural drivers of pass-through, the markup elasticity and the marginal cost scale elasticity. I derive and quantify the scale channel of pass-through, which can be decomposed into a bilateral scale and the novel “shock span" scale effect. The shock span channel arises because different correlation patterns across customers enters prices via the scale channel. Because exchange rates are correlated across trading partners, compared to tariffs they have greater capacity for shock-span effects of scale economies. Quantifying the bilateral and shock span components of the scale channel, the paper demonstrates that scale economies can rationalize the discrepancy between markup flexibility and observed pass-through.

Temporary Foreign Crisis Transmission to Local Labor via Exports: Evidence from the 1997 Asian Crisis

This paper exploits the temporary US export drop during the 1997 Asian Crisis to demonstrate that short-run foreign crises can have local labor spillovers via the export channel. I embed a Roy model into a specific-factors setting to guide analysis, linking export fluctuations to labor markets. Empirically, traded employment fell associated with the drop in exports to Crisis-4 countries, there was sluggish post-Crisis adjustment, and nontraded employment in lower-education areas also fell. Using the model I estimate that short-run cross-sector distributional heterogeneity is larger than long-run. Computational estimates find the shock lowered 1998 US traded employment by 135,000-150,000 workers.

RESEARCH IN PROGRESS

Broken Links: The Disruptive Impact of Import Competition on Local Supply Chains and Employment (with Daron Acemoglu, David Autor, David Dorn, and Gordon Hanson) *(under Census Bureau Project #1684)*

Although the substantial job loss that followed from the surge of imports from China is well documented, why import flows created such large adverse effects on local labor markets is poorly understood. This paper documents the overlooked role of supply chain disruptions. We build empirical measures of local and national supply linkages by exploiting commodity-level input-output tables and the gravity-like structure of supply relationships. Consistent with standard input-output models, we find that establishments whose customers are adversely affected by Chinese import shocks see a drop in their own output and employment. The standard model further suggests that establishments whose suppliers are exposed to rising import competition stand to benefit from the availability of less expensive Chinese imports. Contrary to this prediction, we document that establishments whose suppliers compete with cheaper imported substitutes actually experience falling sales and employment effects. These "downstream" impacts appear to reflect costly disruptions to US supply chains, whose operation depends on local long-term relationships. Supporting this interpretation, we show that it is local, rather than national, downstream effects that are most consequential, and that these downstream impacts are driven by customer-supplier linkages involving significant relationship specificities rather than arms-length transactions. We conclude that domestic firms are challenged in exploiting potential gains from cheaper imported inputs when long-term supply chain relationships are threatened.

The International Elasticity Puzzle: Identifying Codetermining Frictions (*under Census Bureau Project #2874)*

The International Elasticity Puzzle focuses on a discrepancy in the import demand elasticity in international trade versus macroeconomic models, but it relates to both the horizon and the underlying shock (tariff or exchange rate). I present two facts consistent with the puzzle's duality: the elasticity is increasing over time, and is dependent on the underlying shock. I then apply the general framework from Gertler (2024a) to rationalize the puzzle. First, I demonstrate that both within exchange rates and across to tariffs, more persistent shocks generate larger demand effects. Second, I show that import buyer rigidities attenuate the elasticity and cause it to be increasing in shock persistence and over time. Third, I leverage the model structure and the estimates to measure the demand rigidity and the underlying static elasticity: the paper quantitatively explains the puzzle. Finally, I employ the framework and estimates to analyze the rate-of-convergence for exchange rates versus tariffs: in the short-run the persistence effect dominates so that the exchange rate converges to the static elasticity more slowly than the tariff.

RESEARCH IN PROGRESS

The Macrofinancial Link Between Tariffs, Exchange Rates, and Trade (with Victor Orestes)

We examine how macrofinancial factors, particularly the interest rate, shape exchange rate and trade responses to tariff shocks. First, we find that US import tariffs substantially influence the exchange rate, and in contrast little effect from tariffs imposed on the US. Second, we find that countries with which maintain higher interest rates than the US experience larger depreciations than lower-interest-rate countries. Third, we present evidence that high-interest-rate countries' trade are subject to higher demand elasticities, which is driven by supply- or demand-side factors depending on exchange rate regime. Our findings are consistent with a model of centrality in which financial and real factors co-amplify and can offset each other on aggregate but not necessarily in terms of incidence.