

Q&A...

with Enghin Atalay,
a senior economist here
at the Philadelphia Fed.



Enghin Atalay

Enghin Atalay grew up in the San Francisco Bay area and studied mathematics at the University of California, Berkeley. After earning his doctorate in economics from the University of Chicago in 2014, he headed to the University of Wisconsin, Madison, to teach macroeconomics and industrial organization. In 2019, Enghin joined the Federal Reserve Bank of Philadelphia, where he continues to focus on economic networks, how firms are organized, and long-run changes in the labor market.

What led you to study economics?

Mainly, being a research assistant at the Federal Reserve Bank of New York. I helped the economists there with their policy and research projects, and they were nice enough to let me coauthor some of their papers. It was a great experience, seeing a research project go from the initial stage up through putting together an initial draft. I got a sense of what grad school would be like, and that this is something I really wanted to do.

How did you decide on the University of Chicago?

As part of my graduate school application, my writing sample included a paper I wrote with Morten Bech, one of my supervisors at the New York Fed. We were trying to describe the federal funds market using statistics developed by people who study financial, economic, and physical networks. This topic was something Ali Hortaçsu, a professor at the University of Chicago, had been interested in, and is still interested in. He reached out to me as I was deciding between schools. That meant a lot, to have Ali reach out. He later supervised my dissertation. I was very, very lucky to work with him in grad school.

In your article in this issue, you compare the academic approach to explaining different occupations' growth rates to the approach of the BLS [Bureau of Labor Statistics]. Was this topic inspired by your personal experience of having been an academic economist and then a central bank economist?

It's more from my academic experience. I had been reading academic research that uses lessons from the past to predict the future, and I noticed some anxiety about new automation technologies making certain types of work obsolete. My initial idea was to check the accuracy of projections from academics, to get a sense of whether this anxiety is well-founded. But then you want to compare that to what the BLS has done, since they spend so much time and effort constructing projections of the labor market's future.

And because you were seeing these projections coming from both academic and BLS economists, you wanted to know, what are the benefits of each of these and can they be combined?

Right. They have different goals. Typically, an academic paper aims primarily to analyze something that other researchers haven't looked at yet. So, in this area, each academic article focuses on a different source of change in the occupational mix. The goal is to say something new. The BLS isn't trying to say something new, but rather to use all available information to make the best projection possible. For that reason, you might expect the BLS to have a more accurate projection, which turned out to be the case. But there's always the possibility that information from academic research can be better incorporated into the BLS' projections. And that also seems to be the case.

One of the biggest industries affected by COVID-19 has been bars and restaurants. How might the effects of COVID-19 on just that one industry affect the entire economy, and by what route might that happen?

There's a rule of thumb that, if you want to know the aggregate effect of events in a certain industry, you start with that industry's total sales relative to GDP [gross domestic product]. For bars and restaurants, this figure is roughly 4 percent. But other factors may lead this industry to have an outsized effect. Workers in the food service sector—who tend to make less than other types of workers—might have less savings to buffer income declines, so having bars and restaurants shut down could lead to a bigger knock-on decline in consumption. And maybe firms in other industries can survive periods of low demand for longer than bars and restaurants, to the extent that they might have easier access to credit.

You have to look at sales, at how indebted that industry is, how concentrated it is—there are all sorts of factors, but when you study all of them, you see the route by which that knock can affect the entire economy.

Exactly right. 