

Suraj Shekhar | CV

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Date of Birth – September 22 1986, Gender – Male, Citizenship – Indian

Positions Held

Post Doctoral Research Fellow, African Institute of Financial Markets and Risk Management (AIFMRM), University of Cape Town (August 2016 -)

Education

Ph.D. in Economics, The Pennsylvania State University, USA, 2016

Thesis: "Essays in Applied Microeconomics", PhD Committee - [Kalyan Chatterjee \(Chair\)](#), [Edward Green](#), [Kala Krishna](#), [Sona Golder](#)

M.A. in Economics, Delhi School of Economics, India, 2009

B.A. in Mathematics, St. Stephen's College, University of Delhi, India, 2007

Fields

Microeconomics - Theory (models of asymmetric information, spinoffs, impact of regulatory changes on welfare), and Empirical (Development Economics and Networks)

Research

Publications

[Signaling, Reputation and Spinoffs \(Journal of Economic Behavior and Organization, May 2018, Volume 149, 88-105\)](#)

I propose a new channel of spinoff (firm formed when an employee leaves to set up his own firm) formation in which the returns from spinning off are determined endogenously. If high ability workers are scarce, then despite the principal's ability to offer contracts (endogenous cost of signalling), there exists a separating equilibrium where the high type worker signals his ability by forming a spinoff. This result provides theoretical support to the empirical findings of Skogstrøm (2012). When moral hazard is introduced in the baseline model of adverse selection, I show that the spinoff equilibrium can generate the strongest incentives to work. This has policy implications for non-compete clauses.

Working Papers

[The Impact of a Spinoff on the Parent Firm: A Model of Double Adverse Selection with Correlated Types](#)

(Job Market Paper) [Theory paper]

A principal and her worker's type is correlated via the principal's screening ability (a high ability principal is more likely to hire a high ability worker). The firm's stage payoff depends upon the worker's reputation. This paper provides a new explanation for how a spinoff (firm formed when a worker leaves to set up her own firm) can be beneficial for the parent firm. The key idea is that in any market with sufficiently high worker attrition, a firm's future payoff depends crucially on the belief about the principal's ability to recruit good workers repeatedly. I show that spinoffs are more likely to be formed by high ability workers. Due to the correlation in types, this result implies that spinoff formation can provide a positive signal about the principal's type. I further show that there exists an equilibrium which explains a previously unexplained empirical finding - spinoff formation can hurt the parent firm in the short run, but be beneficial over a longer run. My results have policy implications for non-compete covenants.

[Moral Hazard in Regulations with Loopholes](#)

(with Co-Pierre Georg) [**Theory paper**]

We study a static environment where two competing firms are subject to a regulation which increases their cost of production. The regulation has a loophole and the firms can exert private effort to find it. Any firm which finds the loophole can lower their cost of production. Given the loophole finding effort of a firm, the higher the strength of the regulation, the less likely it is that the firm finds the loophole. We demonstrate a new channel via which increasing the regulation strength could reduce welfare. We show that strengthening the regulation can make the reward for finding the loophole bigger. This could lead to higher loophole finding effort which offsets the impact of the regulation strengthening. We further show that even if regulation strength is determined by the firms' lobbying effort, it may still be welfare superior to the regime in which there is no regulation. This is because it is optimal for the firms to not induce very weak regulations. Our results are consistent with the empirical findings of Hu et al. (2017).

[What's in a Name? Reputation and Monitoring in the Audit Market](#)

(with Somdutta Basu) [**Theory paper**]

Since February 2017, the name of the engagement partner has to be disclosed for all audit reports issued in the USA. We show that this quest for transparency has its pitfalls. Though this rule increases the level of information for investors, it can have negative consequences if we ignore how the rule changes the incentives of the relevant players (auditor partners). We analyze the new rule and study the resulting change in auditor incentives to show that while the consequent higher reputation building incentives can improve audit quality, an unintended consequence of the new rule is that audit partners have a lower incentive to monitor other partners when names are disclosed. This may lead to a fall in audit quality when the rule is implemented. We present several solutions to this problem.

[Informal Contacts in Hiring: The Economics Job Market](#)

(with Michael Rose) [**Empirical paper**]

We demonstrate the importance of 'social connections' in the labor market using a novel data set where we study the placement outcomes of doctoral students in Economics. We show that a PhD adviser's connectedness in the co-author network matters for her student's academic placement. An adviser's connectedness is measured by her Eigenvector centrality rank in the co-author network defined by more than 100,000 coauthored research articles. Students of more connected advisers obtain a better initial placement compared to students of less connected advisers. We identify the impact of adviser connectedness via changes in the centrality of the adviser's co-authors in a model with adviser-fixed effects. Additionally, we use the deaths of faculty members as an exogenous

shock to show that the probability of a student being placed at a particular department reduces when the collaboration intensity between the student's school and that department decreases due to the death. Our results contain a more general insight for any labor market with information frictions - even indirect connections can significantly affect job market outcomes.

[Ethnic Conflicts with Informed Agents: A Cheap Talk Game with Multiple Audiences and Private Signals](#)

(with Pathikrit Basu & Souvik Dutta) [**Theory paper**]

We consider a society on the brink of ethnic conflict due to misinformation. An 'informed agent' is a player who has private information which may prevent conflict. We analyze whether the informed agent can achieve peace by communicating privately with the players. The issue is that if the informed agent is known to be biased towards her own ethnicity, she is unable to communicate credibly with the other ethnicity. Despite this, we show that peace can be achieved in equilibrium. Our result explains how organizations trying to prevent conflict by dispelling false rumours and fake news could be effective *even* if they are perceived to be biased towards a specific group.

[Work in Progress](#)

Returns to English Speaking Ability in India [**Empirical paper**]

Social Insurance in Self Help Groups: A Generalized Propensity Score Approach (with Abhirup Sarkar & Souvik Dutta) [**Empirical paper**]

Unsolicited Credit Ratings (with Priyanka Sharma) [**Theory paper**]

[Teaching Experience](#)

[Instructor](#)

Econometrics, 2018 (Masters level). Instructor for one-third of the course (12.5 class hours) at the University of Cape Town

Introductory Macroeconomic Analysis and Policy, 2015 (Undergraduate level). Instructor with full responsibility at The Pennsylvania State University

[Teaching Assistant at The Pennsylvania State University](#)

Introductory Microeconomic Analysis and Policy, 2014 (Undergraduate level)

Growth and Development, 2013 (Undergraduate level)

[Professional Activities](#)

[Conference Presentations](#)

71st European Meeting of the Econometric Society, University of Cologne, 2018

XXXIII Jornadas de Economía Industrial, University of Barcelona, 2018

32nd Annual Congress of the European Economic Association, University of Lisbon, 2017

44th Annual Conference of the European Association for Research in Industrial Economics, Maastricht University, 2017

Midwest Economic Theory Meetings, Purdue University, Krannert School of Management, 2016

10th Economics Graduate Student Conference, Washington University in St. Louis, 2015

Midwest Economic Theory Meetings, The Pennsylvania State University, 2015

Summer Meeting of the Econometric Society, University of Minnesota, 2014

1st Prospects in Economic Research Conference, The Pennsylvania State University, 2012

Visiting Scholar

University of Bielefeld, Germany (June 2009 - November 2009)

Corporate Internship

ICICI Bank, Mumbai, India (Summer 2008)

Language Skills

English (fluent), Hindi (native)

Computer Skills

Matlab, Stata, L^AT_EX, Microsoft Office Packages

References

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