Armela Mancellari

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Citizenship: United States and Albania

Doctoral Studies

The Pennsylvania State University (Penn State)
Ph.D. in Economics, August 2021

Dissertation: Essays on Firms' Misreporting and Resource Misallocation

Primary fields: International Economics, Development Economics, Macroeconomics
Secondary fields: Labor Economics, Applied Microeconomics

Thesis advisor and references:

Prof. Stephen Yeaple (Advisor)
Department of Economics
The Pennsylvania State University
E-mail: sry3@psu.edu

Prof. Jonathan Eaton
Department of Economics
The Pennsylvania State University
E-mail: jxe22@psu.edu

Prof. James Tybout
Department of Economics
The Pennsylvania State University
E-mail: jxt32@psu.edu

Pre-Doctoral Studies

2011-2012 M.Sc. in Economics, The London School of Economics and Political Science

2004-2008 B.A. in Economics (cum laude), The American University in Bulgaria
B.A. in Business Administration (cum laude), The American University in Bulgaria

Teaching

2020 Graduate Student Online Teaching Certificate (obtained from Penn State)

2014-2020 **Undergraduate Instructor**
Macroeconomic Analysis (Penn State World Campus, 2018)

Undergraduate Teaching Assistant
Macroeconomic Analysis (Penn State University Park, 2014, 2015, 2016, 2017)
Intermediate Macroeconomic Analysis (Penn State World Campus, 2015, 2017)
Advanced International Trade (Penn State World Campus, 2018)
International Finance (Penn State World Campus, 2018)
Money and Banking (Penn State World Campus, 2020)

Presentations

2021	Southern Economic Association (scheduled, November 2021), European Economic Association (scheduled, August 2021), Society for Economic Dynamics, University of Alicante, University of Stavanger Business School, Center for Economic Studies at the U.S. Census Bureau, U.S. Bureau of Economic Analyses, U.S. International Trade Commission, Institute for Defense Analyses, U.S. Office of the Comptroller of the Currency
2017-2020	Penn State Trade and Development Reading Group

Relevant Positions

2014	U.K. Economist, Barclays Capital, London, United Kingdom
2012-2014	Economist, International Growth Centre, London, United Kingdom
2008-2011	Economic Researcher, Bank of Albania, Tirana, Albania

Skills

Programming: Stata, EViews, MATLAB, $\LaTeX$

Languages: Albanian (native), English (fluent), Italian (intermediate), Spanish (basic)

Honors, Fellowships and Awards

2019	Penn State Department of Economics Dissertation Support Fellowship
2017	Rosenberg Liberal Arts Centennial Graduate Endowment in Economics
2014-2018	Penn State Department of Economics Graduate Assistantship

Working Papers

"Dynamic Labor Demand and Informality" (Job Market Paper)

Formal firms across the size distribution face static and dynamic incentives to employ informal labor. In this paper, I explore the implications of these incentives for resource allocation within and across firms and for policies that address informality. I build and estimate a structural model in which firms employ informal labor to evade payroll taxes--a static incentive--and to avoid the adjustment costs incurred when hiring or firing formal workers--a dynamic incentive. Formal firms do not report informal labor. I overcome this obstacle with a novel strategy that exploits a 2015 shock to the enforcement of Albanian tax laws to extract information about firms' use of informal labor which I use to estimate the model. I reach three conclusions. First, I show that the gains in allocative efficiency that accrue to better enforcement of labor laws are far more modest after accounting for firms' dynamic incentives to use informal labor to adjust to shocks. Second, failing to account for informal labor results in an overstatement of formal labor adjustment costs by a factor of two. Intuitively, firms use informal labor to avoid the cost of varying output, and, thus, the reported data understates variation in their actual use of labor. Third, I show that reducing the costs of rigidities in formal labor markets is as effective as enhanced enforcement in reducing the aggregate informal share of employment.

"Tax Arbitrage and Global Sourcing"

Cross country differences in corporate tax rates mean that multinational firms can use strategic profit shifting to arbitrage away tax differences. Previous studies have documented this practice and explored its fiscal consequences. I show that heterogeneous taxation has real consequences, too, distorting two choices of the global firm: where to source, and whether to open an affiliate or purchase from an arm's length supplier. To study the extent to which taxation affects these two decisions, I build a parsimonious general equilibrium, multi-country trade model with heterogeneous firms. The model predicts that a decrease in the statutory tax rate of a country induces more firms to locate to that country and to choose vertical integration over outsourcing. Using data on U.S. related-party trade I present empirical evidence supporting this prediction. Using a calibrated version of the model, I then perform a comparative statics exercise, showing that global tax harmonization would generate a global increase in outsourcing relative to vertical integration, and induce more firms to source from the U.S.

Research in Progress

"Foreign Demand, Wages and Informal Employment"

How does an increase in foreign demand affect domestic employment, the wage distribution, and the informal share of employment in a developing economy? I use an exogenous shock to both trade and foreign firm entry in Albania in 2011 to answer this question. Disruptions due to the Arab Spring uprisings of late 2010 redirected European demand for goods previously exported from the MENA region toward Balkan countries. I construct a measure of the exposure to that shock of each manufacturing sector in Albania and examine its effects on labor market outcomes. Using microdata from the Labor Force Survey, a difference-in-difference analysis shows that the shock led to an increase in employment, overall wages, the dispersion of formal wages, and the informal share of employment.

"Upstream Effects of USMCA's Labor Provisions: Implications for Mexican Automobile Workers" (with Tanmay Belavadi and Alejandra Lopez Espino)

The USMCA requires that 40 percent of automobile value content uses labor that is paid at least $16 per hour, 5 times Mexico's current average hourly wage in the sector. Through the lens of a network model, we examine three major potential margins of adjustment for upstream automobile suppliers in Mexico. First, some firms may move towards greater subcontracting to reduce the costs of directly employed labor. Second, we may observe firms substituting towards capital and away from low-skill labor. And, finally, firms may choose to source inputs from outside the USMCA trade zone altogether. We study the local welfare effects on workers in Mexico's automobile industry caused by these changes.

Older Research

"Regional and Global Trade Strategies for Liberia" (with Jaime de Melo), 2014, FERDI Working Paper P103.

"Macroeconomic Effects of Fiscal Policy: a SVAR Approach", 2011, Bank of Albania Working Paper.

"Nowcasting Quarterly GDP in Albania", 2010, Bank of Albania Working Paper.

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