



Yale University

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The Recruiting committee

Re: Julia Garlick – Candidate Assistant Professor

I am delighted to write in support of Julia. She has been one of my students since I arrived at Yale. She is extremely hard working and motivated in her research. She is ambitious with an incredible tenacity in achieving her goal. While at Yale she has written three papers, two single authored and one coauthored. Her main aim was to work on entrepreneurship and the context of microfinance offered a great opportunity to examine some of the pertinent issues in this field.

In her job market paper (*Occupation Choice and Education Investment: Unintended Effects of Microcredit*) she examines the overall and the unintended effects of microcredit using the Townsend Thai data and the quasi-experimental framework of the “Million Baht Village Fund” expansion of microcredit. The key question is whether microcredit affects human capital accumulation and in particular, whether it reduces educational attainment for some children when the household starts a business. After examining the data and showing that indeed there is evidence of changes in attainment she sets up a dynamic model for an infinitely lived household in the context of an economy with both credit market imperfections and labor market frictions. The labor market imperfections (need for monitoring) imply that businesses prefer to hire own family labor; credit market imperfections mean that both education and entrepreneurship may be constrained. The model is estimated on pre-program data and evaluated using post-program data, which provides out-of-sample validation. She finds that poor, high productivity households that enter self-employment following the credit expansion are likely to withdraw their adolescents from school and employ them, regardless of educational talent, due to changes in the net cost of capital, which spills over to the demand for labor within the household business. By contrast, poor households with high educational talent and low productivity increase educational investment due to income and liquidity effects.

The job market paper is first rate and is a genuine advance over the Kaboski and Townsend paper in *Econometrica*. It combines direct evidence from the expansion of microcredit with a beautiful model of how microcredit can have unintended effects in a second best world with credit *and* labor market frictions. This paper is publishable in a top five journal, such as for example in the Review of Economic Studies.

In her second paper (*Individual Migration and Household Income* with Leibbrandt and Levinsohn) they estimate the returns to migration in South Africa, taking into account the benefits to the entire household. The key point in this paper is that the impact of migration on non-migrants in both the sending and the receiving location are taken into account. The main gains from migration seem to come not from improved labor market outcomes but from joining wealthier households in the destination.

In her third paper (*Welfare Queens and Work Requirements: Attitudes to Welfare Policy in the Post-AFDC Era*) she examines the effects of exposure to welfare recipients by race on attitudes to welfare spending, using the variation created by the 1996 US welfare reform. She shows that geographic exposure to welfare recipients of different races is no longer a significant determinant of welfare reciprocity following the AFDC to TANF in 1996. This is most true for areas in which local preferences are closest to the new state-level requirements. This hypothesis is supported by results from difference-in-difference analyses on changes in attitudes in contiguous counties in different states.

Julia is a hardworking, determined and highly motivated researcher. She is systematic and thoughtful and will work well on her own as well as with others. She is highly focused on producing first-rate research and her paper is proof of her ability to design and deliver projects even on such challenging questions. She is an extremely pleasant person, with a very strong sense of responsibility and duty. She will be a great asset to the department that hires her and I recommend her without reservation.

Yours Sincerely,

A handwritten signature in black ink that reads "C. Meghir". The signature is written in a cursive, slightly slanted style.

Costas Meghir