BARNARD
BARNARD COLLEGE • COLUMBIA UNIVERSITY

ECONOMICS

3009 BROADWAY
NEW YORK, NY 10027
P:212.854.3454
F:212.854.8947

SARAH GERTLER

APPOINTMENTS
Assistant Professor of Economics
Barnard College, Columbia University. July 2025-

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

PRIOR EDUCATION
Dartmouth College
Economics, Mathematics

CITIZENSHIP
United States

GENDER
Female

FIELDS
International Macroeconomics, Trade, Macroeconomics

RELEVANT POSITIONS
Research Assistant for Daron Acemoglu and
David Autor, 2019-2025

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 2023-2028 for multiple research papers, Special Sworn Status

National Science Foundation Graduate Fellowship

Dartmouth: Phi Beta Kappa, Rufus Choate Scholar,
Presidential Scholar,
Magna Cum Laude, High Honors in Economics

National Merit Scholar

PRESENTATIONS (INCLUDING SCHEDULED)
2025: Federal Reserve Bank of New York, Federal Reserve Board of Governors, Brown, Johns Hopkins SAIS, Barnard at Columbia, Society of Economic Dynamics (SED) in Copenhagen, 9th Annual CEPR International Macroeconomics and Finance Meeting at University of Lausanne, 11th BdF-BoE-BdI International Macroeconomics Workshop at Banca d'Italia

2024: MIT, Dartmouth

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WORKING PAPERS

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

Expenditure-switching is the main channel through which exchange rates transmit to the real economy. Conventional wisdom holds that this channel's strength is increasing in exchange rate pass-through into prices: assuming the import demand elasticity is independent of pass-through, larger effects of exchange rates on prices yield larger substitution of spending between domestic and foreign goods. In this paper, I show that this conventional wisdom does not hold. Using confidential US micro-data and a panel-data local projection technique, I show that quantity-exchange rate elasticities are similar across high and low pass-through environments. In essence, low pass-through is subject to a larger import demand elasticity than is high pass-through. I then propose an extension of a standard small open economy New Keynesian model by adding a layer of import buying (retail) firms, in which both exporting and importing firms are subject to price rigidities. I show empirically and theoretically that the “import buyer rigidity" dampens overall adjustment, but less so under low pass-through because in this case the pass-through is more persistent. The model thus accounts for why the quantity-exchange rate elasticities are similar across pricing regimes. 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.

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

We document how currency markets and trade flows respond to tariffs imposed by and on the US as related to other countries' macrofinancial position. We show that countries which maintain higher interest rates than the US depreciate much more strongly -- to the point of offsetting the tariffs on impact -- than their low-interest counterparts. However, these effects are not as persistent as the tariff shocks. Our results highlight a US hegemonic asymmetry: tariffs imposed on the US have little effect on currency markets, US demand for high-interest countries' goods is relatively elastic, but the latter's demand for US exports is not. Monetary policy can be an effective tool to target the exchange rate fluctuation as it has a similar incidence as tariffs. Finally, we present evidence that the interest rate analysis could draw from trade-network fundamentals. To rationalize our findings, we modify a baseline model of exchange rate determination using the interest rate as a "sufficient statistic" wedge in fundamentals. Our model indicates that the financial market imperfections we observe in data distort the global response to tariff escalation.

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WORKING PAPERS (CONTINUED)

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.

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WORK 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.

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WORK IN PROGRESS

Tariffs, Exchange Rates, and the Macroeconomy: The Role of Heterogeneous Import Buyer Rigidities (*under Census Bureau Project #2874)*

The increasing use of tariff policy has raised the question of how exchange rates interact with tariffs to influence the macroeconomy. This interaction is challenging to characterize due to the puzzling and contrasting effects of tariffs versus exchange rates on real outcomes. In this paper, I present new evidence using confidential micro-data and demonstrate, both empirically and theoretically, the key role of heterogeneous import buyer rigidities (the price rigidity of the importing firm). I show that in response to tariffs, sticky import buyers contract demand less than flexible buyers. Joint exchange rate movements generate nonlinear demand responses based on the heterogeneous rigidities. This nonlinearity amplifies or mitigates the import demand response to tariffs depending on the curvature of the distributional adjustment to the exchange rate shock, which I characterize. Monetary policy -- tariff-targeting and in general -- is distorted via a similar nonlinearity effect.