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Curriculum Vitae Fall 2007

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Major Fields of Concentration

Macroeconomics, Corporate Finance, International Finance

Education

<i>Degree</i>	<i>Field</i>	<i>Institution</i>	<i>Year</i>
Ph.D.	Economics	University of Minnesota (expected)	2008
M.A.	Economics	University of Minnesota (expected)	2007
M.A.	Economics	Sabanci University (Turkey)	2002
B.Sc.	Industrial Engineering	Marmara University (Turkey)	2000

Dissertation

Title: "Taxes, Financial Markets, and the Great Moderation"

Dissertation Advisor: Professor V. V. Chari

Expected Completion: Summer 2008

References

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Professor Fabrizio Perri	(612) 625-7504 (612) 204-5526 fperri@umn.edu	
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Professor Michele Boldrin	(314) 935-5636 mboldrin@artsci.wustl.edu	Department of Economics Washington University in St. Louis Campus Box 1208 St. Louis, Missouri 63130-4899

Teaching Experience

- 2003 - 2007 *Instructor*, Department of Economics, University of Minnesota, Minneapolis, Minnesota. Taught *Principles of Microeconomics*, *Principles of Macroeconomics*, *Intermediate Macroeconomics*, *Economic Growth and Development*, and *International Trade and Finance*
- 2002 - 2003 *Teaching Assistant*, Department of Economics, University of Minnesota, Minneapolis, Minnesota. Led recitation sections for *Principles of Microeconomics*, and *Principles of Macroeconomics*
- 2000 - 2001 *Teaching Assistant*, Department of Economics, Sabanci University, Istanbul, Turkey. Led recitation sections for *Game Theory*, and *Industrial Organizations*.

Research Experience

- September 2007 - Present Research Assistant, Department of Economics, University of Minnesota, Minneapolis, Minnesota. Research Assistant to Professor V. V. Chari.
- September 2007 - Present Visiting Scholar, Research Department, Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota.

Papers

- “Taxes, Financial Markets and the Great Moderation”
“Taxes, Regulations and the Corporate Debt Market,” (work in progress)

Languages

Turkish (native), English (fluent),

Computer Skills

Fortran, Matlab

Dissertation Abstract

“Taxes, Financial Markets and the Great Moderation”

In the United States, business cycle volatility has declined during the last two decades. During the same period, tax rates on US corporate distributions fell roughly from 43% to 17% as a result of the changes in the US income tax system that took place in early 1980s. We investigate the extent to which observed changes in macroeconomic volatility can be accounted for by the decline in dividend tax rates. We develop a model in which firms finance investment through external equity and internal funds, and face costs of reducing labor. Dividend taxes reduce the amount of external equity that new firms raise, so they start small and grow over time by using internal funds to a greater extent. Such financially constrained firms respond more to business cycle shocks since they are affected less from labor reduction costs because of their growing labor demand on their life cycle. On the contrary, old and large firms respond less to business cycle shocks since they completed their growth process, therefore are affected more from labor reductions costs. Lower dividend taxes induce firms to issue more external equity and become financially unconstrained in a shorter amount of time, so there are fewer small, volatile firms, and therefore lower volatility in macroeconomic indicators.

Taxes, Regulations and the Corporate Debt Market

In the United States, the outstanding debt in corporate sector, as a fraction of GDP, increased roughly from 53% to 77% in mid-1980s. During the same period, tax rates on US corporate distributions fell roughly from 43% to 17% as a result of the changes in the US income tax system that took place in early 1980s. We investigate the extent to which observed changes in corporate debt markets can be accounted for by the decline in dividend tax rates. We develop a model with borrowing limits, where outstanding debt is constrained by value of corporations. Dividend taxes lower corporate values, therefore outstanding debt of firms. The model accounts for 74% of the increase in outstanding debt in corporate sector.