Ashique Habib

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Citizenship Bangladeshi, Canadian

Research Interests
Macroeconomics
Development
Financial Economics

Teaching Interests
Macroeconomics
Development
Microeconomics
Financial Economics

Education

2011- PhD, Economics, University of Toronto (expected 2017)

Dissertation: Three Essays on Financial Markets, Information Frictions, and the Macroeconomy
Committee: Diego Restuccia (supervisor), Ronald Wolthoff, Xiaodong Zhu

2010-2011 MA, Economics, University of British Columbia

2003-2008 BASc, Civil Engineering and Minor in Economics (with Distinction), University of Waterloo

Awards

Award for Excellence in Teaching for Teaching Assistants, 2016
University of Toronto Conference Travel Grant, 2015-2016
Ontario Graduate Scholarship, 2012-2013, 2013-2014, 2015-2016
Social Sciences and Humanities Research Council Doctoral Scholarship, 2014-2015
University of Toronto Graduate Fellowship, 2011-2012

Research Papers

Imperfect Information about Entrepreneurial Productivity, Financial Frictions, and Aggregate Productivity
(job market paper)

Overcoming Adverse Selection in Decentralized Asset Markets using Ratings

Work in progress

Firm-Manager Matching, Contracting Frictions, and Misallocation (with Chaoran Chen)

The Differential Impact of Financial Frictions on Young Firms: A Quantitative Assessment

Credit Constraints, Incentives to Acquire Information, and Misallocation

Conference Presentations

2016:	Canadian Economics Association (Ottawa), North American Productivity Workshop (Quebec City)
2015:	Canadian Economic Association (Toronto)
2014:	Search and Matching Workshop (Edinburgh)

Professional Service

Referee for Review of Economic Dynamics.

Professional Experience

2011-Present: Teaching Assistant, University of Toronto

ECO 1010: Mathematics and Statistics for MA Students (Master's)
ECO 2030: Microeconomic Theory II (PhD)
RSM 1210: Managerial Economics (MBA)
ECO 325: Advanced Macroeconomic Theory
ECO 349: Money, Banking and Financial Markets
ECO 220: Quantitative Methods in Economics

2012-2013: Research assistant for Professor Ronald Wolthoff

2008-2010: Civil engineer, SNC-Lavalin Engineers and Consultants

References

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Dissertation Abstract

Imperfect Information about Entrepreneurial Productivity, Financial Frictions, and Aggregate Productivity

(job market paper)

Motivated by evidence that young firms face uncertainty about the viability of their ideas, I argue that an important channel through which financial frictions adversely impact aggregate productivity and income per capita is by hindering the discovery of productive entrepreneurs. The literature misses this channel by abstracting from imperfect information. I present a model where households have imperfect information about the quality of their business idea, but can learn about it by engaging in entrepreneurship. I show how financial frictions arising from weak contract enforcement systematically reduce access to capital for poor households with good ideas, and undermines their incentive to learn. After calibrating the model to US data, I find that with imperfect information, TFP falls by 23% when enforcement is lowered to developing country levels, compared to 12% with perfect information. Decomposing the losses reveals that about half is due to financial frictions hindering the discovery of good ideas by poor households. I find that subsidizing young entrepreneurs can significantly improve productivity in economies with weak enforcement. The interaction between imperfect information and financial frictions also lowers and flattens the hazard rate of firm exit, which is consistent with the evidence documented by Hsieh and Klenow (2014). Moreover, I show that uncertainty in developing countries is a potential source of large productivity differences.

Overcoming Adverse Selection in Decentralized Asset Markets Using Ratings

Periods of illiquidity in decentralized asset markets may be explained by the sudden appearance of asymmetric information between buyers and sellers. According to this view, high-quality sellers must accept lower trading probabilities in order to ensure their market remains unattractive to low-quality sellers. I challenge this view by showing how buyers and sellers can instead use ratings to overcome adverse selection. I develop a model with rating agencies in a decentralized trading environment and show that buyers do not need to distort liquidity to separate sellers if they can commit to buying ratings after meeting sellers. Buyers can instead offer contracts with rating-contingent prices that are sufficient to keep low-quality sellers out of high-quality markets. Because buyers can use both ratings and sorting into different markets to separate sellers, liquidity and prices are not distorted even if the quality of the rating signal is very poor (but not completely uninformative). Furthermore, the unique equilibrium strictly dominates the one without ratings in terms of welfare. Although this equilibrium can significantly mitigate the effects of asymmetric information, in the absence of commitment it can only be sustained if buyers are incentivized to follow through with rating the asset. Buyers must be incentivized to rate because the sellers' choice of market reveals their type, and buyers learn nothing new from rating the asset after matching. The problem is solved if buyers are likely to need to resell the asset; in this case, buyers rate the asset in order to codify what they have learned for future buyers. If the resale probability is low, this equilibrium is untenable. Instead sellers buy the ratings, an outcome with some liquidity distortions -- but less than in the equilibrium without ratings. I use my framework to show that policies that support buyers purchasing ratings can substantially improve market liquidity.