

MICHAEL BOUTROS

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Experience

2021 – Senior Economist, Bank of Canada
Model Development and Research Division, Financial Stability Department

Education

2016 – 2021 Ph.D. in Economics, Duke University
Thesis: Essays on Heterogeneous Households in Macroeconomics
Committee: Francesco Bianchi (chair), David Berger, Cosmin Ilut, and Andrea Lanteri

2019 M.A. in Economics, Duke University

2015 B.Sc. in Financial Economics, *High Distinction*, University of Toronto

Awards

2020 – 2021 SSHRC Doctoral Fellowship

Research Areas

Macroeconomics, Household Finance, Monetary Policy.

Publications

1. **“Monetary Policy Implementation in a Negative Rate Environment”** with Jonathan Witmer. *Journal of Money, Credit & Banking*, 52 (2-3), March-April 2020, p. 441-470. Formerly Bank of Canada Working Paper 2017-25, July 2017.

Abstract: Monetary policy implementation could, in theory, be constrained by deeply negative rates since overnight market participants may have an incentive to invest in cash rather than lend to other participants. To understand the functioning of overnight markets in such an environment, we add the option to exchange central bank reserves for cash to the standard workhorse model of monetary policy implementation (Poole 1968). Importantly, we show that monetary policy is not constrained when just the deposit rate is below the yield on cash. However, it could be constrained when the target overnight rate is below the yield on cash. At this point, the overnight rate equals the yield on cash instead of the target rate. Modifications to the implementation framework, such as a tiered remuneration of central bank deposits contingent on cash withdrawals, can work to restore the implementation of monetary policy such that the overnight rate equals the target rate.

2. **“Borrow Now, Pay Even Later: A Quantitative Analysis of Student Debt Repayment Plans”** with Nuno Clara and Francisco Gomes. February 2023.

Abstract: In the U.S. student debt currently represents the second largest component of consumer debt, just after mortgage loans. Repayment of those loans reduces disposable income early in their life cycle when marginal utility is particularly high, and limits households’ ability to build a buffer stock of wealth to insure against background risks. In this paper we study alternative student debt contracts, which offer a 10-year deferral period. During this period individuals either make interest payments only (“Principal Payment Deferral”, PPD) or make no payments at all (“Full Payment Deferral”, FPD) with the missed interest payments added to the value of the debt outstanding. We first calibrate an equilibrium with the current contracts, and then solve for counterfactual equilibria with the PPD or FPD contracts. We find that both alternatives generate economically large welfare gains, which are robust to different assumptions about the behavior of the lenders and borrower preferences. We decompose the gains into the percentages resulting from loan repricing and from the deferral of debt repayments.

3. **“Backfiring in Bad Times: When Rent Control Keeps Rent Too High.”** February 2023.

Abstract: Rent control, intended to benefit renters by capping rent increases, may disincentivize landlords from lowering rents during temporary negative demand shocks because they are unable to quickly increase rent afterward. To test this prediction, I use a unique combination of exogenous variation in rent control policy in Toronto and a negative demand shock induced by the COVID-19 pandemic. In line with theory, rent per square foot decreased by 1.7% for rent controlled units and 4.7% for exempt units. Using a model of differentiated demand, I construct a counterfactual exercise and estimate that in the absence of rent control, rent would have decreased by 8.3% for rent-controlled units and 8.1% for exempt units.

4. **“The Macroeconomic Implications of Coholding Liquid Assets and Debt”** with Andrej Mijakovich. February 2023.

Abstract: This paper highlights the importance of the joint distribution of liquid assets and debt in understanding the consumption response of households to income changes. We show that grouping households across the distribution of liquid wealth, as is typically done, confounds two very different types of households. True hand-to-mouth households with low liquid wealth due to low liquid assets, and households with low liquid wealth due to high debt. The former type has a high marginal propensity to consume while the latter type has a high marginal propensity to repay debt. We add a cash-in-advance constraint to a standard consumption-savings model which generates the co-holding of liquid assets and debt observed in the data and matches the empirically observed marginal propensities to consume and repay debt. We apply our model to the study of stimulative fiscal policy and illustrate the role that the joint distribution of assets and debt plays in the aggregate marginal propensity to consume.

5. **“Windfall Income Shocks with Finite Planning Horizons.”** October 2022. *Bank of Canada Staff Working Paper 2022-40.*

Abstract: How do households respond to unanticipated income shocks? I build and estimate a quantitative model of bounded rationality in which reoptimization is costly. Households respond to windfall income shocks by choosing a finite planning horizon over which to reoptimize. The optimal horizon is increasing in income, wealth, and the magnitude of the income shock. In the estimated model, the distribution of consumption responses is consistent with two motivating facts: highly liquid households have large consumption responses out of income shocks that cannot be driven by borrowing constraints, and larger income shocks induce smaller consumption responses.

6. **“The Persistence of Miscalibration”** with Zahi Ben-David, John R. Graham, Campbell R. Harvey, and John Payne. November 2020. *NBER Working Paper #28010. R&R at The Review of Financial Studies. Latest Draft: September 2022.*

Abstract: Using 14,800 forecasts of one-year S&P 500 returns made by Chief Financial Officers over a 12-year period, we track the individual executives who provide multiple forecasts to study how their beliefs evolve dynamically. While CFOs’ return forecasts are systematically unbiased, their confidence intervals are far too narrow, implying significant miscalibration. We find that when return realizations fall outside of ex-ante confidence intervals, CFOs’ subsequent confidence intervals widen considerably. These results are consistent with a model of Bayesian learning which suggests that the evolution of beliefs should be impacted by return realizations. However, the magnitude of the updating is dampened by the strong conviction in beliefs inherent in the initial miscalibration and, as a result, miscalibration persists.

7. **“Evaluating the Impact of Economic Impact Payments.”** December 2020.

Abstract: As part of the CARES Act, the IRS distributed \$300 billion in Economic Impact Payments (EIPs) directly to US households. In the Census Bureau’s Household Pulse Survey, almost 75% of households receiving an EIP reported using it to mostly pay for expenses. Separating respondents based on labor income interruptions, 84% of unemployed households reported mostly spending their EIPs, compared to 63% of employed households, suggesting that the benefits of more targeted direct transfers may have been limited, especially at the expense of timeliness. Overall, I conclude that Economic Impact Payments played an important role in stabilizing aggregate spending.

Works in Progress

8. **“Evaluating Hard Paternalism: Evidence from Tightening Credit Card Minimum Payments”** with Jason Allen and Benedict Guttman-Kenney.

9. **“Don’t Lend So Close to Me: Payday Lending Spillover Effects on Formal Credit”** with Anson Ho, Sheisha Kulkarni, Sahil Raina, and Barry Scholnick.

Conferences and Seminars

2023	Southern Finance Association Annual Meeting, Midwest Finance Association
2022	Society for Nonlinear Dynamics & Econometrics, McMaster University, International Conference on Applied Theory, Macro and Empirical Finance, Theories and Methods in Macroeconomics, Canadian Economic Association Annual Meeting, Canadian Macro Study Group
2021	Bank of Canada, University of British Columbia, University of Guelph, NuCamp Virtual PhD Workshop, European Winter Meeting of the Econometric Society
2020	ITAM Finance Conference, VMACS Junior Conference
2019	Miami Behavioral Finance Conference*
2018	BFI Conference on Developing and Using Business Expectations Data*
2017	ECB Workshop on Money Markets, Monetary Policy Implementation and Central Bank Balance Sheets

* Presentation by coauthor.

Discussions

1. **“Fiscal Stimulus, Inter- and Intratemporal Consumption Spending: Evidence from a 5 Billion Euro Experiment”** by Gregor Pfeifer, Davud Rostam-Afschar, Tim Ruberg, and Lukas Treber. Workshop on Household Responses to Direct Stimulus Payments and Other Shocks. August 2022.
2. **“Automation and Inequality in Wealth Management”** by Michael Reher and Stanislav Sokolinski. 3rd CEAR-RSI Household Finance Workshop. November 2022.
3. **“Investor Memory and Biased Beliefs: Evidence from the Field”** by Zhengyang Jiang, Hongqi Liu, Cameron Peng, and Hongjun Yan. 2023 European Winter Finance Conference. January 2023.
4. **“How and Why do Operating Firms Participate in Swap Market?”** by Ayla Kayhan and Michael Rand. 2023 Southern Finance Association Annual Meeting. March 2023.
5. **“Economic Policy Uncertainty and Institutional Portfolio Investment”** by Andi Li. 2023 Southern Finance Association Annual Meeting. March 2023.
6. **“Income-Driven Repayment Plans for Student Loans”** by Nadia Karamcheva, Jeffrey Perry, and Constantine Yannelis. 2023 Midwestern Finance Association Conference. March 2023.