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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.

   Presented at ECB Workshop on Money Markets, Monetary Policy Implementation and Central Bank Balance Sheets (2017).

Working Papers

2. "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.

3. "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.

4. "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.

5. "Household Finances and Fiscal Stimulus in 2008." June 2019.

   Abstract: Using detailed household-level data from the Survey of Income and Program Participation, the ratio of credit card debt to income is found to be the most important balance sheet item in determining household usage of stimulus funds in 2008, adding to existing evidence that borrowing constraints are functions of debt-to-income ratios. Borrowing constrained households, often predicted to be the group with the largest propensity to consume out of stimulus funds, were the most likely to use stimulus payments to repay debt instead of increase consumption. This behavior is consistent with the fact that household credit supply was tightening at the same time that stimulus payments were being distributed, forcing households, especially those near their borrowing constraints, to deleverage.

6. "The Information Effect of Monetary Policy." December 2018.

   Abstract: A large empirical literature documents that central bank monetary policy changes signal information about future economic fundamentals to the private sector. The canonical Gali (2008) model is modified to analyze this mechanism and understand the information effect of monetary policy. We assume the central bank observes a private signal of future economic fundamentals and uses the filtered information in its Taylor rule. As a result, the nominal interest rate serves an additional function as a noisy signal of future economic fundamentals and there is an information effect of monetary policy. We find that a contractionary monetary policy induces an expansionary information effect, but for reasonable calibrations, the net effect is contractionary.

Works in Progress

7. "Backfiring in Bad Times: When Rent Control Keeps Rent Too High."

8. "Borrow Now, Pay Even Later: A Quantitative Analysis of Student Debt Repayment Plans" with Nuno Clara and Francisco Gomes.

9. "Evaluating Hard Paternalism: Evidence from Tightening Credit Card Minimum Payments" with Jason Allen and Benedict Guttman-Kenney.
10. "The Prevalence and Relevance of Credit Card Borrowing."