

MICHAEL BOUTROS

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Education

2016 – present	Ph.D. in Economics, Duke University
2019	M.A. in Economics, Duke University
2015	B.Sc. in Financial Economics, <i>High Distinction</i> , University of Toronto

Awards

2020 – 2021	SSHRC Doctoral Fellowship
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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.

Working Papers

2. “Using Bounded Intertemporal Rationality to Understand the Consumption Response of Unconstrained Households.” August 2020.

Abstract: I build a model that generates large and realistic marginal propensities to consume for constrained and unconstrained households. The main mechanism in the model is bounded intertemporal rationality. Households respond to irregular income shocks by re-optimizing over an optimally determined finite horizon. The optimal length of the horizon depends on the size and persistence of the shock relative to the households income and wealth. Estimated using data from the Economic Stimulus Act of 2008, the model explains the large consumption response of financially unconstrained households and generates a distribution of propensities to consume similar to the empirical distribution. The main implication for the design of stimulative policy is to target smaller payments to more households along the income distribution.

3. “The Persistence of Miscalibration” with Zahi Ben-David, John R. Graham, Campbell R. Harvey, and John Payne. July 2020.

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 evaluate how they adapt and recalibrate in response to return realizations. We present a simple model of Bayesian learning which suggests that the evolution of beliefs should be impacted by return realizations, but that stronger priors yield a sluggish response. While CFOs’ forecasts are unbiased, their confidence intervals are far too narrow, implying a very strong conviction in their beliefs. Consistent with Bayesian learning, we find that when return realizations fall outside of ex-ante confidence intervals, CFOs’ subsequent confidence intervals become significantly wider. However, the magnitude of the updating is apparently dampened by the tightness of prior beliefs and, as a result, miscalibration persists.

4. “The Prevalence and Relevance of Credit Card Borrowing.” February 2020.

Abstract: In 2016, one in three US households reported carrying monthly balances on their credit cards. The prevalence of credit card borrowing implies that summarizing a household’s liquidity using net liquid wealth masks important heterogeneity in joint holdings of liquid assets and debt. I show that credit card borrowing is an important predictor of household behavior in response to transitory income shocks. Holding fixed net liquid wealth, the propensity to consume and save decrease with more credit card debt and the propensity to repay debt increases. This finding has implications for the propagation of income shocks in the economy.

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.

Research Employment

2017 –	Research Assistant for Prof. Francesco Bianchi
2018	Summer Dissertation Intern, Bank of Canada
2018	Research Assistant for Prof. Campbell Harvey
2015 – 2016	Research Assistant, Bank of Canada
2015 – 2016	Research Assistant for Prof. Daniel Chen
2014 – 2016	Research Assistant for Prof. Michelle Alexopoulos
2014 – 2016	Research Assistant for Prof. Yosh Halberstam
2014	Research Assistant for Prof. Andreas Park
2013 – 2014	Research Assistant for Prof. Jordi Mondria

Teaching Employment

Summer 2020	Instructor, Duke University
2017 – 2018	Teaching Assistant, Duke University
2013 – 2015	Teaching Assistant, University of Toronto