

# MICHAEL BOUTROS

208 North Buchanan Blvd., Apt. 2  
Durham, NC 27701-2082

Mobile: (919) 908-3587  
Email: [michael.boutros@gmail.com](mailto:michael.boutros@gmail.com)  
Website: <http://www.michaelboutros.com>

## Education

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2016 – present    Ph.D. in Economics, Duke University  
2015                B.Sc. in Financial Economics, *High Distinction*, University of Toronto

## Research Areas

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Macroeconomics, Household Finance, Monetary Policy.

## Publications

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1. “Monetary Policy Implementation in a Negative Rate Environment” with Jonathan Witmer. *Journal of Money, Credit & Banking*, Forthcoming.

Bank of Canada Working Paper 2017-25, July 2017. Presented at ECB Workshop on money markets, monetary policy implementation and central bank balance sheets, Frankfurt, Germany, Nov. 6-7, 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

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2. “The Persistence of Overconfidence” with John R. Graham, Campbell R. Harvey, John Payne, and Zahi Ben-David. May 2019.

*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 that provide multiple forecasts to evaluate how they adapt and recalibrate their forecasts in response to return realizations. While CFO forecasts are unbiased, their confidence intervals are far too narrow. This overprecision implies overconfidence: very strong or tight prior beliefs. 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. Consistent with Bayesian learning, we find that when return realizations fall outside of ex-ante confidence intervals, CFOs subsequent confidence intervals are significantly wider. However, the magnitude of the updating is dampened by the overconfidence and, as a result, overprecision persists.

3. "Fiscal Stimulus in 2008 and Household Deleveraging." April 2019.

*Abstract:* Households primarily used payments from the Economic Stimulus Act of 2008 to repay debt. 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. Liquid credit card debt 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 more closely related to existing debt levels rather than total net worth.

4. "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

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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

### Teaching Employment

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