James D. Paron

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Education

2025 The Wharton School, University of Pennsylvania
Ph.D. Candidate in Finance

2019 The Wharton School, University of Pennsylvania
B.S. in Economics, *summa cum laude*
Concentrations: Finance, Statistics, & Accounting | Minors: Mathematics & History

Committee

Jules H. van Binsbergen (co-chair)
Wharton, Department of Finance
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Sylvain Catherine
Wharton, Department of Finance
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Jessica A. Wachter
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Thomas Winberry (co-chair)
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Research Interests

Asset Pricing, Macroeconomics, & Household Finance

Working Papers

Sovereign default and the decline in interest rates, with Max Miller and Jessica A. Wachter

Revise and Resubmit, ***Review of Financial Studies***

Sovereign debt yields have declined dramatically over the last half-century. Standard explanations, including aging populations and increases in asset demand from abroad, encounter difficulties when confronted with the full range of evidence. We propose an explanation based on a decline in inflation and default risk, which we argue is more consistent with the long-run nature of the interest rate decline. We show that a model with investment, inventory storage, and sovereign default captures the decline in interest rates, the stability of equity valuation ratios, and the recent reduction in investment and output growth coinciding with the binding zero lower bound.

Presentations: NBER SI (Capital Markets 2020, Asset Pricing 2021), Conference on Macroeconomics and Monetary Policy at the San Francisco Federal Reserve 2021, WFA 2021

Interest-rate risk and household portfolios, with Sylvain Catherine, Max Miller, and Natasha Sarin

How are households exposed to interest-rate risk? When rates rise, households experience capital losses on long-term assets but enjoy higher expected returns in the future. These counteracting forces imply an optimal portfolio duration. We present a life-cycle model in which households invest in two assets with different durations. The optimal long-term asset share is hump-shaped over the life cycle. Within cohorts, it increases with wealth and earnings. These predictions are in line with observed patterns. Social Security serves as a hedge against interest-rate risk and mitigates the distributional effects of interest rate changes.

Presentations: NBER Long-term Asset Management 2024, WFA 2024 (sched.), FIRS 2024 (sched.)

Heterogeneous-agent asset pricing: Timing and pricing idiosyncratic risks

This paper studies the importance of idiosyncratic endowment shocks for aggregate asset prices in a generalized continuous-time framework that accommodates both jumps and recursive preferences. I show that, regardless of the presence of jumps, countercyclical cross-sectional risk is irrelevant to risk premia if and only if (i) all agents have time-additive power utility and (ii) cross-sectional risk is uncorrelated with aggregate consumption risk. To quantify the relevance of these conditions, I calibrate a general-equilibrium model with a continuum of recursive-utility agents who face uninsurable idiosyncratic human-capital disasters. The model explains both asset pricing moments and cross-sectional income moments from Social Security Administration income data.

What explains wealth and portfolio differences between Black and White Americans?, with Sylvain Catherine and Ellen Lu

Portfolio choices determine returns to wealth and therefore contribute to the evolution of the wealth gap between Black and White Americans. To study the underlying causes of these choices, we estimate a highly detailed life-cycle model in which Black and White households face disparate economic conditions. Disparities in exposure to the business cycle, family structure, and housing markets explain most racial differences in balance-sheet composition. However, many of these disparities also increase precautionary savings and thus have limited consequences on the racial wealth gap. Progressive social programs like Social Security cannot fully explain the racial wealth gap either.

Teaching

Fall 2021	**Foundations of Financial Economics** (Ph.D.) Teaching Assistant for Prof. Winston Wei Dou
	Topics in Macro-finance (Ph.D.) Teaching Assistant for Prof. Itamar Drechsler and Prof. Tim Landvoigt
Spring 2021	**Foundations of Asset Pricing** (Ph.D./MBA/Undergraduate) Teaching Assistant for Prof. Jessica A. Wachter
	Neuroeconomics (Undergraduate) Teaching Assistant for Prof. Joseph W. Kable
	Venture Capital and the Finance of Innovation (Undergraduate) Teaching Assistant for Prof. Sylvain Catherine

Fall 2019	**Accelerated Corporate Finance** (MBA) Teaching Assistant for Prof. Jessica A. Wachter

Awards and Fellowships

2019–	Wharton Doctoral Fellowship
2022–2023	Jacobs Levy Dissertation Fellowship in Quantitative Finance
2022	Irwin Friend Prize for Best Paper

Professional Services

Referee	*Journal of Monetary Economics*
Co-organizer	Memory, Beliefs, and Choice Seminars (joint with the Computational Memory Lab); Wharton Macroeconomics Reading Group
Mentor	Peer Mentor for Finance Ph.D. students

Personal Information

Born October 1997 in Toronto
Citizen of Canada & Italy
Permanent resident of the United States
Married to Madison Paron
Father of Thomas Paron (June 2023)