James D. Paron

Department of Finance
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Education

2024 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

Research Interests

Asset Pricing, Macroeconomics, & Household Finance

Working Papers

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.

Sovereign default and the decline in interest rates

with Max Miller and Jessica A. Wachter

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.

Who hedges interest-rate risk? Implications for wealth inequality

with Sylvain Catherine, Max Miller, and Natasha Sarin

We present a life-cycle model in which households can invest in short- or long-term assets to hedge against interest-rate risk. Our model matches important stylized facts. First, the share of long-term assets in households' wealth is hump-shaped over the life-cycle. Within cohorts, it increases with wealth and earnings. Second, wealth inequality grows when interest rates fall, but only when wealth does not include the value of Social Security. Hedging demand against interest-rate risk can explain 40% of long-run changes in wealth inequality since 1960.

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

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

Personal Information

Born on October 29, 1997 in Toronto, ON
Citizen of Canada & Italy
Married to Madison D. Paron