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, Household Finance, & Macro-finance

Working Papers

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.

Heterogeneous-agent asset pricing

When does idiosyncratic consumption risk matter for asset returns? This paper provides an answer in a comprehensive framework with jumps and heterogeneous recursive preferences. While cross-sectional consumption risk always affects the riskfree interest rate and equity volatility, it is irrelevant to risk premia in partial equilibrium if and only if all agents have additively separable preferences. It is irrelevant to risk premia in general equilibrium if and only if all agents have identical power utility and cross-sectional risk is uncorrelated with aggregate consumption risk. The paper also solves explicitly for asset prices in a tractable special case of isoelastic recursive preferences. To illustrate the applicability of the framework, I solve a general equilibrium model in which recursive-utility agents can only invest in a riskfree bond, a stock, and their own inalienable human capital, subject to countercyclical risk of an idiosyncratic disaster.

Teaching (*planned)

Fall 2021* **Foundations of Financial Economics** (Ph.D.)
Teaching Assistant for Prof. Jessica A. Wachter

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

Personal Information

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