

# James D. Paron

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## Education

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- 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

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Asset Pricing, Macro-finance, & Household Finance

## Working Papers

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### Heterogeneous-agent asset pricing

This paper studies the importance of idiosyncratic endowment shocks for aggregate asset prices in continuous time. My generalized framework accommodates jumps and heterogeneous recursive preferences. I show that countercyclical cross-sectional risk is irrelevant to risk premia if and only if all agents have identical, time-additive power utility and cross-sectional risk is uncorrelated with aggregate consumption risk. It always affects the riskfree rate and equity volatility. I calibrate a general-equilibrium model in which numerous agents face uninsurable idiosyncratic human-capital disasters. Using Social Security Administration income data, I show that time-varying cross-sectional income skewness is an important driver of asset price dynamics.

### 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

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- 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

## Personal Information

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