Emil Verner

Princeton University

verner@princeton.edu ⋄ www.emilverner.com

Placement Director	Steve Redding	reddings@princeton.edu	(609) 258 4016
Graduate Administrator	Laura Hedden	lhedden@princeton.edu	(609) 258 4006

Office Contact Information
Department of Economics, Princeton University
Julis Romo Rabinowitz Building
Princeton, NJ 08544
Mobile Phone: (202) 322 8532

Education

Ph.D. Candidate in Economics *2012–present*
Department of Economics and Bendheim Center for Finance, Princeton University

M.A. Economics, Princeton University *2014*

B.Sc. Economics, University of Copenhagen *2012*

References

Professor Atif Mian (Chair)
Department of Economics
Princeton University
(609) 258 6718, atif@princeton.edu

Professor Mark Aguiar
Department of Economics
Princeton University
(609) 258 4000, maguiar@princeton.edu

Professor Motohiro Yogo
Department of Economics
Princeton University
(609) 258 4467, myogo@princeton.edu

Professor Wei Xiong
Department of Economics
Princeton University
(609) 258 0282, wxiong@princeton.edu

Teaching and Research Fields

Finance, Macroeconomics

Research Experience

Visiting Researcher, National Bank of Hungary *Summer 2016, Summer 2017*
Research Assistant for Professor Atif Mian *Summer 2014*
Research Assistant for Professor Markus Brunnermeier *Spring 2014*
Research Assistant for Professor Mark Watson *Summer 2013*
Summer Research Analyst for Senior Fellow Gary Hufbauer,
Peterson Institute for International Economics *Summer 2011*

Teaching Experience

House of Debt: Understanding Macro and Financial Policy, *Spring 2017*
Guest Lecture for Professor Atif Mian, Princeton University

Econ 313, Econometric Applications, Princeton University *Spring 2015*
Teaching Assistant for Professors Mark Watson and Michal Kolesár

Econ 100, Introduction to Microeconomics, Princeton University *Fall 2014*
Teaching Assistant for Professor Uwe Reinhardt

Macroeconomics B (2nd year undergraduate), University of Copenhagen *Spring 2012*
Teaching Assistant for External Lecturer Søren Rich

Macroeconomics A (2nd year undergraduate), University of Copenhagen *Fall 2011*
Teaching Assistant for Professor Hans-Jorgen Whitta-Jacobsen

Professional Activities

Presentations
Colorado Finance Summit JMP Session (2017, scheduled), NBER Summer Institute Monetary Economics (2017), Society for Economic Dynamics (2017), Norges Bank Conference on Housing and Household Finance (2017), NBER Summer Institute Corporate Finance (2016), Hungarian National Bank (2016), Danmarks Nationalbank (2015, 2016), DAEiNA Annual Meeting (2015, 2017), Princeton Finance Workshop (2015, 2016, 2017), Princeton Macro Workshop (2014, 2015, 2016, 2017)

Discussions
"Down in the Slumps: The Role of Credit in Five Decades of Recessions," Bridges, Jackson, and McGregor (2017), MNB-CEPR-ESRB Macroprudential Policy Conference

Other Conferences Attended
AEA/AFA Meeting (2016), NBER Lessons from the Crisis for Macroeconomics Meeting (2015), NBER Monetary Economics Program Meeting (2014, 2015), Sveriges Riksbank Macroprudential Conference Series (2015)

Refereeing
Economic Journal, Journal of Banking and Finance, Review of World Economics

Honors, Scholarships, and Fellowships

Princeton Institute for International and Regional Studies (PIIRS) *2017-2018*
Dissertation Writing Fellowship

NBER Household Finance Working Group Grant ($10,000) *2016*
Project title: "Household Balance Sheets and the Real Economy: Evidence from Liability Dollarization in an Emerging Market"

Woodrow Wilson Scholars Fellowship, Princeton University *2015-2016, 2016-2017*

American Finance Association Doctoral Student Travel Grant *2015*

Towbes Prize for Outstanding Teaching, Princeton University	*2015*
Julis Rabinovitz Center for Public Policy and Finance Travel Grant ($900)	*2015*
Leschly Family Scholarship, Princeton University	*2013, 2014*
Princeton Graduate Economics Fellowship	*2012–2017*

Job Market Paper

"Household Debt Revaluation and the Real Economy: Evidence from a Foreign Currency Debt Crisis," with Győző Gyöngyösi

Abstract: This paper examines how an increase in household debt affects the local economy using a foreign currency debt crisis in Hungary as a natural experiment. We construct shocks to local household debt burdens by exploiting spatial variation in households' exposure to foreign currency debt during the large (over 30%) and unexpected depreciation of the Hungarian forint in late 2008. We first show that a shock to local household debt leads to a rise in default rates and a persistent decline in local durable and non-durable consumption. Next, we find that regions with greater exposure to foreign currency debt experience a persistent increase in local unemployment. Firm-level census data reveal that employment losses are driven by firms dependent on local demand. Exposed areas see a modest decline in wages, but no adjustment through reallocation toward exporting firms or migration. In addition to the direct effect of higher debt, we find evidence of local spillovers. Regional exposure to foreign currency debt predicts a decline in house prices and an increase in the probability of default for households with only domestic currency debt. Our results are consistent with demand and pecuniary externalities of household foreign currency debt financing.

Publications

"Household Debt and Business Cycles Worldwide," with Atif Mian and Amir Sufi,
Quarterly Journal of Economics, 2017

Abstract: An increase in the household debt to GDP ratio predicts lower GDP growth and higher unemployment in the medium run for an unbalanced panel of 30 countries from 1960 to 2012. Low mortgage spreads are associated with an increase in the household debt to GDP ratio and a decline in subsequent GDP growth, highlighting the importance of credit supply shocks. Economic forecasters systematically over-predict GDP growth at the end of household debt booms, suggesting an important role of flawed expectations formation. The negative relation between the change in household debt to GDP and subsequent output growth is stronger for countries with less flexible exchange rate regimes. We also uncover a global household debt cycle that partly predicts the severity of the global growth slowdown after 2007. Countries with a household debt cycle more correlated with the global household debt cycle experience a sharper decline in growth after an increase in domestic household debt.

Working Papers

"How Do Credit Supply Shocks Affect the Real Economy? Evidence from the United States in the 1980s," with Atif Mian and Amir Sufi, 2017

Abstract: Does an expansion in credit supply affect the economy by increasing productive capacity, or by boosting demand? We design a test to uncover which of the two channels is more dominant, and we apply it to the United States in the 1980s where the degree of banking deregulation generated differential local credit supply shocks across states. The stronger expansion in credit supply in early deregulation states primarily boosted local demand, especially by households, as opposed to improving labor productivity of firms. States with a more deregulated banking sector see a large relative increase in household debt from 1983 to 1989, which is accompanied by an increase in the price of non-tradable relative to tradable goods, an increase in wages in all sectors, an increase in non-tradable employment, and no change in tradable employment. Credit supply shocks lead to an amplified business cycle, with GDP, employment, residential investment, and house prices increasing by more in early deregulation states during the expansion, and then subsequently falling more during the recession of 1990 and 1991. The worse recession outcomes in early deregulation states appear to be related to downward nominal wage rigidity, household debt overhang, and banking sector losses.

"The Consumption Response to Extended Unemployment Benefits in the Great Recession," with Graham McKee, 2015

Abstract: The Great Recession and the years that followed witnessed a dramatic expansion in the duration of unemployment insurance (UI) benefits available to unemployed workers in the United States. An important motivation for this policy was to stimulate demand by transferring funds to households that would be likely to spend them. This paper uses the variation across states in the UI expansion to estimate the consumption response to extended UI benefits. We estimate that an additional week of UI increased household consumption by a statistically significant 1.68 percent. Consistent with the hypothesis that unemployed households are likely to be particularly liquidity constrained, this point estimate translates into a marginal propensity to consume out of UI benefits in the range of 0.59-0.91, which is larger than existing estimates of the consumption response to income transfers for all households.

Works in Progress

"Identifying Banking Crises: A Bank Equity Based Approach," with Matthew Baron and Wei Xiong

Abstract: We identify historical banking crises in 47 countries over the period 1800-2016 using new historical data on bank equity returns. We argue bank equity crashes provide an objective, quantitative, and theoretically-motivated measure of banking crises, which can help refine existing historical approaches. We show that bank equity crashes often pick up an impending crisis first, before credit and non-financial equity measures. We validate our measure by showing that bank equity crashes line up well with other indicators of banking crises (e.g., panics, bank failures, government intervention) and predict the severity of crises. Our approach also uncovers some "new" banking crises not identified by previous historical approaches but which are backed up by the historical narrative. Bank equity returns provide additional forecasting power of macroeconomic outcomes relative to traditional predictors.

"Financial Crisis, Creditor-Debtor Conflicts, and Political Extremism," with Győző Gyöngyösi

Abstract: This paper studies the effect of the 2008 financial crisis on the vote share of the populist far-right. We use a natural experiment from Hungary where we exploit spatial differences

in the prevalence of foreign currency borrowing of households. The unexpected and large depreciation of the domestic currency increased the debt burden of households borrowing in foreign currencies but not of households borrowing in local currency. We show using zip code level data that the household debt shock significantly affected political preferences. A 10 percent rise in indebtedness increased the vote share of the far-right by 2 percentage points, which explains one fourth of the increase in the far-right vote share. Labor market shocks, immigration, and foreign currency debtors' naiveté do not account for this increase. We present suggestive evidence that the rising popularity of the far-right is driven by their support for debtor-friendly policies and not by general anger with the establishment.

"The Effects of a Large-Scale Debt Restructuring on Household Demand and Bank Credit Supply," with Győző Gyöngyösi

Skills

Computer: Matlab, Stata, SAS, R, LaTeX
Languages: English and Danish (fluent); French, Spanish, and Portuguese (working proficiency)

Service

Treasurer; First Year, Second Year, and Post-Generals Representative: Graduate Economics Club, Princeton University *2012-2016*

Personal

Nationality: Denmark and U.S. Permanent Resident