

Man Chon (Tommy) Iao

<https://tommyiao.github.io>

mci246@nyu.edu

NEW YORK UNIVERSITY

Address 19 West Fourth St., 6th Floor
New York, NY 10012-1119
Phone 669-226-1945 (office)
669-226-1945 (home)

Placement Director: Jaroslav Borovička jaroslav.borovicka@nyu.edu 347-899-6273
Graduate Administrator: Ian Johnson ian.johnson@nyu.edu 212 998-8901

Education

PhD in Economics, New York University, 2019-2025 (expected)
Thesis Title: *Essays on Heterogeneity and Monetary-Fiscal Policy*
BA in Economics, *Highest Distinction*, University of California, Berkeley, 2018
BA in Applied Mathematics, University of California, Berkeley, 2018

References

Professor Simon Gilchrist
19 West Fourth St., 6th Floor
New York, NY 10012-1119
212-998-9770 (office)
sg40@nyu.edu

Professor Virgiliu Midrigan
19 West Fourth St., 6th Floor
New York, NY 10012-1119
212-998-8081 (office)
virgiliu.midrigan@nyu.edu

Professor Corina Boar
19 West Fourth St., 6th Floor
New York, NY 10012-1119
212-998-8898 (office)
corina.boar@nyu.edu

Teaching and Research Fields

Macroeconomics, Monetary Economics, Fiscal Policy, Inequality

Teaching Experience

Spring 2024 Macroeconomic Analysis, NYU, Teaching Assistant for Professor Alessandra Peter
Spring 2024 Macroeconomics IV (Master), NYU, Teaching Assistant for Professor Simon Gilchrist
Fall 2023 Intermediate Macroeconomics, NYU, Teaching Assistant for Professor Gerald McIntyre
Fall 2020, 2021 Math for Economists I (PhD), NYU, Teaching Assistant for Professor Efe Ok

Research Experience and Other Employment

Fall 2022 – Spring 2023 NYU, Research Assistant for Professor Corina Boar
Spring 2022 NYU, Research Assistant for Professor Virgiliu Midrigan

Professional Activities

Referee: American Economic Journal: Macroeconomics

Organizer: NYU Student Macro Lunch (2022-2023)

Seminar and Presentations

2024	NY Fed Junior Macro Workshop, SED (Barcelona), NYU Stern Macro Lunch, NYU Student Macro Lunch
2023	NYU Student Macro Lunch
2022	NYU Student Econometrics Lunch

Honors, Scholarships, and Fellowships

2019 - 2024	McCracken Fellowship, NYU
2020	Instituto Internacional de Macau Young Researcher Award
2018	Percy Lionel Davis Award for Excellence in Scholarship in Mathematics, UC Berkeley
2018	Highest Distinction in General Scholarship, UC Berkeley
2018	Phi Beta Kappa

Research Papers

Why does Unemployment Risk Reduce the MPC over the Business Cycle? (Job Market Paper)

Abstract: Using survey evidence and revisiting the 2008 tax rebate, I document that unemployment risk substantially lowers the MPC to an extent that standard buffer stock models cannot reproduce. While the precautionary saving motive increases the MPC, the less binding borrowing constraint decreases it, resulting in a modest net effect. Introducing mental accounting to the model resolves the difficulty through a novel behavioral switching mechanism, while simultaneously matching other stylized facts on the MPC. Embedding the mental accounting model into a New Keynesian framework, I find that the MPC dynamics are vastly different: In the mental accounting model, the MPC immediately decreases and remains low throughout the recession, whereas in the standard model, it only gradually decreases as households build up their savings. Consequently, stimulus checks are 30% less effective during recessions compared to the predictions of the standard model. The state-dependence of the MPC reconciles recent estimates of the modest aggregate effects of the 2008 tax rebate and the high MPCs documented in the literature.

Estimating Heterogeneous Economies with Micro Data (with Yatheesan Selvakumar)

Abstract: We give sufficient conditions under which dynamic equilibrium models with heterogeneous-agents can be represented by a first-order reduced-rank vector autoregression. We exploit this result to develop an econometric framework that enables the rapid estimation of a rich class of models with macro and repeated cross-sections of micro data. In monte-carlo simulations of a Bewley-Aiyagari-Huggett model with aggregate uncertainty, we show that including micro-data delivers increased precision of parameter estimates than conventional approaches. We apply our method to estimate a medium-scale HANK model with heterogeneous exposures to aggregate fluctuations at the household-level. Our estimates imply that poorer households are more sensitive to changes in aggregate income on average, and that this sensitivity is heightened conditional on a monetary policy shock. Through the lens of the model, our method estimates that heterogeneous earnings exposures amplify the aggregate consumption response to monetary policy shocks by 40%, substantially larger than those implied by traditional estimation methods.

Regional Heterogeneity and Aggregate Fiscal Multipliers

Abstract: I examine the role of household heterogeneity in the transmission of government expenditure.

Exploiting regional variation in military procurement spending in the US, I find that the local multipliers of government spending are negatively correlated with the share of hand-to-mouth in the region. Econometrically, heterogeneous effects across regions introduce a bias to previous estimates of the average local multiplier. Correcting the bias reduces the average local multiplier to below 1 and brings back the absent inflationary responses. A monetary union TANK model can reproduce the average local multiplier, but not the negative relationship between the local multipliers and the share of hand-to-mouth. Using contract-level data, I present evidence on the transmission mechanisms of military spending and argue that the puzzling negative relationship is driven by the special composition of military spending.

Research In Progress

Customer Capital and the Markup Channel of Monetary Policy (with Simon Gilchrist)

Abstract: We study the role of customer capital in the transmission of monetary policy. We embed the deep-habit model of customer capital into a heterogeneous firm New Keynesian model with Kimball demand. Quantitatively, we find that the interaction of customer capital and variable demand elasticities amplifies the output effect of monetary policy by 50% through a markup channel: In response to an interest rate cut, larger firms invest more in customer capital by reducing prices more, further lowering the aggregate markup due to reallocation. Empirically, we find evidence for the heterogeneous responses in Compustat data. We discuss how our results relate to the price puzzle in the impulse responses of identified monetary policy shocks.

Assessing the Welfare Effects of Countercyclical Unemployment Insurance

Abstract: During each recession in the U.S. over the last 40 years, the Congress has enacted additional extensions or supplements to the Unemployment Insurance (UI) program. I assess the welfare benefits of an automatic UI extension rule using a quantitative HANK model that features endogenous search effort, unemployment risk, and heterogeneous labor transition rates across the wage distribution. Conditional on a negative demand shock, the UI rule that replicates the discretionary UI extension during 2001 and 2008 increases the welfare of the unemployed at the cost of the employed, leading to a mild increase in the average welfare. The welfare gain is larger if monetary policy is more accommodative and can become negative if monetary policy is inactive, highlighting the importance of monetary-fiscal coordination.

Other Information

Programming skills
Languages
Data Clearances
Citizenship

MATLAB, Python, Stata, R, LaTeX, C++
Cantonese (native), English (fluent), Mandarin (fluent)
US Census Bureau Special Sworn Status
Macau SAR