Niklas Flamang
Department of Economics
University of California, Berkeley
530 Evans Hall, #3880
Berkeley, CA 94720-3880
Phone: 919-344-6653
Email: nflamang@berkeley.edu

Review Panel
Behavioral Macroeconomics Research Boot Camp
National Bureau of Economic Research

Application for NBER Behavioral Macroeconomic Research Boot Camp

Dear Behavioral Macroeconomics Research Boot Camp Review Panel,

I am writing to apply to participate in the National Bureau of Economic Research's Research Bootcamp in Behavioral Macroeconomics on March 12, 2020.

Attached to this letter, you find my CV listing all of my PhD coursework at Berkeley and an essay outlining the reasons for my application to the research boot camp, including a brief description of my current and future research direction.

Professor Emi Nakamura will provide a recommendation in support of my application directly to Elisa Pepe.

Best regards,



Niklas Flamang

Niklas Flamang

Department of Economics
University of California, Berkeley
530 Evans Hall, #3880
Berkeley, CA 94720-3880

Phone: +1 (919) 344-6653
Email: nflamang@berkeley.edu

Education

University of California, Berkeley, PhD Student in Economics, since July 2017.

Completed courses:

ECON 201A, ECON 201B (first-year microeconomic theory sequence)
ECON 202A, ECON 202B (first-year macroeconomic theory sequence)
ECON 240A, ECON 240B (first-year econometrics sequence)
ECON 219A, ECON 219B (second-year behavioral economics sequence)
ECON 230A, ECON 230B (second-year public economics sequence)
ECON 236B (second-year course in empirical macroeconomics)
ECON 244, ECON 250A, ECON 250B (second-year labor economics sequence)

Humboldt-Universität zu Berlin, M.Sc. Economics and Management Science, August 2016.

Freie Universität Berlin, B.A. North American Studies and Econonomics, September 2013.

Work Experience

University of California, Berkeley, Research Assistant to Benjamin Schoefer (Summer 2018) and Dmitry Taubinsky (Winter 2019).

Stanford University, Predoctoral Fellow, (faculty advisors Raj Chetty, John N. Friedman, and Nathaniel Hendren), 2016-2017.

Humboldt-Universität zu Berlin, Research Assistant to Michael C. Burda (Economic Theory II Macro) and Albrecht Glitz and Felix Weinhardt (Applied Microeconomics), 2015-2016.

Rheinische Friedrich-Wilhelms-Universität Bonn and Freie Universität Berlin, Research Assistant to Moritz Schularick, 2012-2014.

Scholarships and Awards

University of California, Berkeley, Department of Economics, department fellowship, 2018-2020.

University of California, Berkeley, Department of Economics, first-year fellowship, 2017-2018.

Deutscher Akademischer Austauschdienst, academic exchange scholarship, 2011-12 (UC Berkeley) and 2014-15 (Harvard University).

Freie Univesität Berlin, academic exchange scholarship, 2011-12.

Studienstiftung des Deutschen Volkes scholarship, 2010-16.

Additional Information

Programming Skills

Stata, R, LaTeX.

Language Skills

German (native), English (fluent), French (basic).

Letter of Motivation

I am applying to the NBER Behavioral Macroeconomics Research Boot Camp because my own research interests lie at the intersection of behavioral economics, labor economics, and macroeconomics. While completing my second-year coursework, it became apparent to me that I am most interested in questions of household finance that have important aggregate implications, but are grounded in understanding decision-making at the micro-level. Historically, many of these questions have been investigated assuming a representative and rational household, but I think a promising avenue for future research is to allow for multiple types of agents, some of which deviate from a full-information rational expectations benchmark.

In general, I have long been interested in questions of macroeconomics, but have often been dissuaded from studying macroeconomics outright because of the difficulty of identifying causal relationships in macroeconomics. However, recently there have been great leaps in empirical macroeconomics by applying many techniques from a historical microeconometric toolkit, and I think empirical macroeconomics using microdata presents one of the most promising strands of future economic research. At the same time, macroeconomic theories have recently adapted to include deviations from the "standard" full-information rational-expectations framework, be it in the form of time inconsistency, non-standard processing of information (e.g., in the formation of expectations), or, as the most prominent "rational" explanation for some empirical regularities, incomplete markets.

My own research interests align very well with these recent developments. In particular, I am very interested in understanding consumption smoothing, the utilization of credit technologies to smooth temporary shocks, and the lack thereof. A lot of evidence points towards excess sensitivity: Consumption reacts "too much" to anticipated changes in income (for example, Johnson, Parker and Souleles 2013; Kueng 2018). A common explanation for this is incomplete markets giving rise to liquidity-constrained households that cannot borrow against these future income flows; the most prominent example along these lines is the hypothesis of wealthy hand-to-mouth consumers (Kaplan and Violante 2014; Kaplan, Moll and Violante 2018).

However, recent evidence brought forth by Ganong and Noel (2019) suggests that incomplete markets alone cannot fully explain the excess sensitivity puzzle. Unemployed workers receiving unemployment insurance benefits exhibit larger consumption drops at the (known) time of UI benefit exhaustion than at the (arguably random) onset of their unemployment spell. While incomplete markets can explain why agents do not borrow against future income flows, they cannot explain why agents do not build up assets in anticipation of future income losses. Ganong and Noel (2019) attribute these patterns to a share of households exhibiting present bias: Households know about the future decreases in income, but their present bias prevents them from building up a cushion against this future income drop. However, this raises an important question: Given the degree of present bias necessary to rationalize the observed consumption drop, it is unclear why these households have not exhausted existing lines of credit and why they hold any amount of liquid wealth at all.

My research, then, focuses on the following questions: First, to what extent are the consumption drops observed by Ganong and Noel (2019) driven by truly liquidity-constrained households (not just measured in terms of liquid assets but also in terms of access to liquid credit lines). Second, why are households with room to borrow reluctant to do so? Recent work by Hundtofte, Olafsson, and Pagel (2019) suggests that even non-constrained households cut their consumption in light of unemployment shocks rather than to use existing credit lines to smooth these shocks. Third, are there differential responses of borrowing to different types of shocks? An important question here is whether shocks to income flows (e.g., unemployment) are different from high-expenditure shocks (e.g., natural disasters, car breakdowns, surprise medical bills). My current working hypothesis is that households are much more reluctant to credit smooth shocks to their income flows than to credit smooth one-time expenditure shocks. A testable implication of that hypothesis is that high expenditure in the current period should predict lower expenditure in the following periods holding constant income.

Another question that naturally arises from the evidence discussed above is how to differentiate between temporary shocks to income flows and changes in permanent income. While the evidence on excess sensitivity of consumption with respect to one-time tax rebates is suggestive, these patterns are fully consistent with liquidity-constrained households, rather than households who exhibit excess sensitivity as a result of an unwillingness to take on debt to smooth consumption. One promising line of investigation would be to look at seasonal workers or professions with built-in pay gaps at some time of the year (e.g., a subset of teachers). In these cases, the income shocks are truly only to temporary flows and fully anticipated, so investigating borrowing decisions in these populations can be a promising line of research.

Last, I am interested in other ways households may smooth consumption when faced with adverse shocks. An important point stressed by Aguiar and Hurst (2005) is that expenditure does not equal consumption and that households can adjust consumption without a similarly sized change in expenditure. Using Nielsen data on individual consumption bundles, I am investigating whether households adjust purchasing decisions in ways that translate into observed changes in expenditure without actually translating into lower consumption. For example, consumption during unemployment might drop because households buy more on-sale items, use more coupons, or switch from name-brand to store-brand items. There is ample reason to believe that households engage in these activities: Nevo and Wong (2019) show that these patterns occurred on aggregate during the Great Recession, and work by Malmendier and Shen Shen (2018) shows that households with more unemployment experience are more likely to be more thrifty shoppers.

All of these questions lie solidly in the field of behavioral macroeconomics. In fact, some of the work I have discussed above is by researchers who will be presenting at the boot camp (Ulrike Malmendier and Michaela Pagel). Therefore, I believe that my research would greatly benefit from the opportunity to participate in this research boot camp.

References

Aguiar, Mark and Erik Hurst. 2005. “Consumption versus Expenditure.” *Journal of Political Economy*, 113 (5): 919-948.

Ganong, Peter, and Pascal Noel. 2019. "Consumer Spending during Unemployment: Positive and Normative Implications." *American Economic Review*, 109 (7): 2383-2424.

Hundtofte, Sean, Arna Olafsson, and Michaela Pagel. 2019. “Credit Smoothing.” NBER Working Paper 26354.

Kaplan, Greg and Giovanni L. Violante. 2014. “A Model of the Consumption Response to Fiscal Stimulus Payments.” *Econometrica*, 82: 1199-1239.

Kaplan, Greg, Benjamin Moll, and Giovanni L. Violante. 2018. "Monetary Policy According to HANK." *American Economic Review*, 108 (3): 697-743.

Kueng, Lorenz. 2018. “Excess Sensitivity of High-Income Consumers.” *The Quarterly Journal of Economics*, 133 (4): 1693-1751.

Malmendier, Ulrike and Leslie Shen Shen. 2019. “Scarred Consumption.” NBER Working Paper 24696.

Nevo, Aviv and Arlene Wong. 2019. “The Elasticity of Substitution Between Time and Market Goods: Evidence from the Great Recession.” *International Economic Review*, 60: 25-51.

Parker, Jonathan A., Nicholas S. Souleles, David S. Johnson, and Robert McClelland. 2013. "Consumer Spending and the Economic Stimulus Payments of 2008." *American Economic Review*, 103 (6): 2530-53.

UNIVERSITY OF CALIFORNIA, BERKELEY

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO

SANTA BARBARA • SANTA CRUZ

EMI NAKAMURA
DEPARTMENT OF ECONOMICS
UNIVERSITY OF CALIFORNIA, BERKELEY
530 EVANS HALL, MC#3880
BERKELEY, CA 94720 - 3880
EMAIL: enakamura@berkeley.edu

Dear Colleagues,

I am writing to enthusiastically recommend Nick Flamang for the NBER's behavioral macro research boot camp. I have known Nick for about a year, since I moved to Berkeley and he took my second year macroeconomics PhD class. Since then, I have been interacting with Nick on a regular basis.

Let me start with the bottom line: I think Nick is an exceptional candidate—in fact, I am hard pressed to imagine a stronger candidate for your program. I have some insight into the goals of the behavioral macroeconomics program because of my involvement in the early days of its inception, and I think Nick is exactly the kind of student you are looking for!

Nick was a star student in my class, which involved writing several short research papers, which in his case focused on topics in behavioral macroeconomics relating to consumption behavior. This year, Nick has continued to develop his research ideas. Most recently, his ideas have focused on how to model and measure debt aversion. This strikes me as a fresh and interesting perspective relative to much of the literature on consumption, which tends to focus on present biasedness and hand-to-mouth consumption behavior. Nick has been thinking about the polar opposite type of behavioral bias, relating to why some fraction of consumers seem to borrow *much less* than would be optimal. I find Nick's ideas on this topic, and his more general issues relating to heterogeneity in consumption behavior, and its behavioral underpinnings, to be fascinating.

This is exactly the right time for Nick to be attending the Behavioral Macroeconomics Bootcamp. His ideas are still very fluid and he is by no means wedded to his current projects. I think this is exactly the moment for Nick when this type of a project could be most valuable. Next semester, I have hired Nick to collaborate on a project aimed at developing a new dataset for evaluating theories of consumption using Icelandic data. Our objective is to use the dataset to estimate and evaluate a variety of behavioral theories.

Nick is an exceptionally motivated and competent person with a true curiosity in economics. He also has an unusual blend of skills. He attends a combination of macroeconomics and behavioral economics events at Berkeley, and interacts with faculty across both fields. Before Berkeley, he worked both as a research assistant for Moritz Schularick on macroeconomics, and Raj Chetty on

issues related to public economics. These experiences have given Nick very strong empirical skills. However, I am also impressed by the depth of Nick's knowledge about macroeconomics.

Let me conclude by reiterating that I think Nick is an ideal candidate for the behavioral macro bootcamp—indeed, it's hard for me to imagine what a stronger candidate would look like. I've very much enjoyed my interactions with him, and strongly believe you will as well. I think is both an exceptionally talented student, and a student for whom the program is likely to be exceptionally valuable.

Please don't hesitate to be in touch if I can provide further information.

Sincerely



Emi Nakamura
Chancellor's Professor of Economics
University of California at Berkeley