“Essays on Uninsurable Individual Risk and Heterogeneity in Macroeconomics”

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- Résumé: This thesis examines empirical and theoretical issues related to the role of uninsurable individual risk and heterogeneity in macroeconomics. The thesis includes four chapters. The first chapter uses data from the Panel Study of Income Dynamics (PSID) to test full risk-sharing among North American households. The second chapter is a short essay where I use simulated data to show how the method applied in the previous chapter can be used to distinguish between partial risk sharing and imperfect credit markets. The third chapter develops a heterogeneous agent dynamic general equilibrium model which jointly models aggregate saving and employment. Finally, the fourth chapter investigates empirically the ability of financial market incompleteness to help explaining the equity premium puzzle. The central motivation throughout this dissertation is the recognition that the interaction between cross-sectional volatility and aggregate volatility is of fundamental importance to understand the way we should model macroeconomic aggregates such as aggregate consumption, asset prices and business cycle fluctuations.