PROPOSAL: CAR LOANS AND SALES

Alessandro Gavazza, Assistant Professor of Economics
Yale School of Management

A large literature has documented that the time-series volatility of GDP has declined substantially in the last two decades. The goal of this project is to investigate whether credit markets have been played a role in this decline. The project studies in detail one market -- the car market -- in which aggregate sales track closely aggregate GDP and that has witnessed important changes in consumer credit in the last two decades. It builds a rich microeconomic model of the household decision to purchase a car under borrowing constraints. The individual decisions are then aggregated to construct aggregate market sales. The project then investigates the role of relaxing borrowing constraints at the individual level on aggregate sales.

This project uses data from Consumer Expenditure Survey for the period 1980-2000.

The student will help organize the data and perform some statistical analysis. Knowledge of STATA is needed.

The student will learn how to use large data sets, how to work with statistical software packages, and how to apply statistical techniques to an economic problem.