# Taha Choukhmane

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**Fields of Concentration:**
Public Economics, Household Finance (Primary fields)
Behavioral Economics (Secondary field)

**Desired Teaching:**
Public Economics
Household Finance
Behavioral Economics
Macroeconomics

**Comprehensive Examinations Completed:**
2015 (Oral):  Macroeconomics, Development Economics
2014 (Written): Macroeconomics, Microeconomics

**Dissertation Title:** *Essays on Saving and Investment Behavior*

**Committee:**
Professor James Choi (Chair)
Professor Nicholas Barberis
Professor Costas Meghir
Professor Cormac O'Dea

**Expected Completion Date:** May 2019

**Degrees:**
Ph.D., Economics, Yale University, 2019 (expected)
Visiting Graduate Student, University College London, 2018
M.Phil., Economics, Yale University, 2017
M.A., Economics, Yale University, 2015

M.A., Economics and Public Policy, SciencesPo Paris and Ecole Polytechnique, 2012
BA, Middle Eastern Studies, SciencesPo Paris, 2010
Undergraduate Exchange Student, The University of Hong Kong, 2009

**Fellowships, Honors and Awards:**
Dissertation Fellowship, Boston College Center for Retirement Research and U.S. Social Security Administration, 2018-2019
Graduate Policy Fellow, Yale Institution for Social and Policy Studies, 2018-2019
Whitebox Advisors Fellowship, Yale International Center for Finance, 2017-2018
MacMillan International Dissertation Fellowship, 2016-2017
Tokyo Foundation Young Leaders Award, 2015 and 2016
Bourse d'Excellence du Gouvernement Français, merit-based full scholarship, 2007-2012

**Research Grants:**
Whitebox Advisors Research Grant, Yale International Center for Finance, 2018

**Teaching Experience:**
Fall 2015, Teaching Assistant to Profs. Stephen Roach and Aleh Tsyvinski, Debates in Macroeconomics, Yale College
Spring 2016, Teaching Assistant to Prof. Daniel Keniston, Advanced Economic Development for Masters students, Yale University
Fall 2016, Teaching Assistant to Gaurav Chiplunkar, Growth and Macroeconomics for Masters students, Yale University

**Research and Work Experience:**
Research Assistant to Prof. Helene Rey, London Business School, 2012 – 2013
Research Assistant to Prof. Nicolas Coeurdacier, SciencesPo Paris, 2012 – 2013
Research Intern, European Commission, Economic and Financial Affairs, Spring 2011

**Working Papers**

"Default Options and Retirement Saving Dynamics," (November 2018), *Job Market Paper*

"The One-Child Policy and Household Saving," with Nicolas Coeurdacier and Keyu Jin, (July 2017), Revise and Resubmit at the *Journal of the European Economic Association*

**Work in progress**

"Altruism and Entrepreneurial Risk-Taking"

**Referee Service:**
*Journal of Development Economics, Journal of Economic Growth*

**Languages:**
Arabic (native), French (native), English (fluent)

**References:**

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**Dissertation Abstract**

**Chapter 1 - Default Options and Retirement Saving Dynamics [Job Market Paper]**

Does automatic enrollment in retirement savings plans increase lifetime wealth accumulation and welfare? Despite the fact that a majority of retirement savings plans in the U.S., U.K., New Zealand, and Turkey have moved from an opt-in to an opt-out enrollment regime, the answer to this question remains unknown. Auto-enrollment policies are too recent to directly observe the effect that enrolling a 25-year-old has on her retirement wealth 40 years later.

I show that considering automatic enrollment in a fully dynamic setting is crucial for understanding its long-term savings and welfare impact. I document that employees offset the short-run positive effect of automatic enrollment by saving less in the future. Consequently, a lifecycle model predicts that the long-term effect of auto-enrollment on wealth is negligible except at the bottom of the lifetime earnings distribution. The estimated model fits the data well (both in and out of sample), and explains the observed inertia at the savings default with an opt-out cost of only around $250 and otherwise standard preferences.

I begin by documenting three stylized facts about auto-enrollment which provide motivation for the model. First, I show using representative data from the U.K. that automatically enrolling workers in their current job's retirement savings plan caused them to participate and contribute less in their next employer's opt-in retirement savings plan. This suggests that the lifetime savings increases created by auto-enrollment, which to date have been estimated without following workers across job transitions, have been overstated.

Second, using a new proprietary dataset of 401(k) administrative records from 86 U.S. firms, I document that changing a positive default contribution rate to an even higher default lowers the 401(k) participation rate. A model with a cost of opting out of the savings default fits this new evidence, while alternative theories, such as loss aversion and psychological anchoring, make the opposite prediction.

Third, I show that the median cumulative contributions of non-autoenrolled workers catch up to the median cumulative contributions of autoenrolled workers over three years. Because non-autoenrolled workers can compensate for their low savings early on by saving more later, they are not fully forgoing the tax and matching benefits of retirement savings when they do not save early in their tenure. Hence, a modest opt-out cost can explain the observed level of inertia around the savings default.

These stylized facts motivate a lifecycle model with opt-out costs. I develop a structural model in which individuals save in both a realistic retirement account and a liquid asset, borrow through unsecured credit, and face labor market risk and a progressive tax and benefit system. I exploit quasi-experimental variation in the default contribution rate at 34 U.S. 401(k) plans to identify the model's parameters, and I validate my estimates out-of-sample using 86 other U.S. 401(k) plans and U.K. workers' responses to the rollout of a national auto-enrollment policy.

In my fully dynamic model, I estimate an opt-out cost of around $250, which is much smaller than the thousands of dollars estimated in previous studies. Because workers compensate for low initial savings rates by contributing more later, the long-term effect of auto-enrollment on wealth is negligible for a majority of people. However, because the opt-out cost represents a larger share of earnings for low-income individuals, a default savings rate of 3% of income adopted by all employers raises retirement wealth at the bottom of the lifetime earnings distribution.

Finally, I characterize autoenrollment's lifetime welfare impact under alternative assumptions about social preferences. If the policymaker shares the same time preferences as individuals and has no redistributive motive beyond declining marginal utility of consumption, an opt-in regime is preferred to auto-enrollment because tax and matching incentives for retirement saving cause individuals to consume too much in retirement. On the other hand, if the policymaker is paternalistic (i.e. more patient than individuals) or inequality averse (i.e. puts more weight on the welfare of low-income individuals), a default contribution rate near the employer matching threshold maximizes social welfare. My optimal policy characterization is robust to alternative assumptions about the policy incidence; the results hold whether employers reduce their profits, wages, or the match rate to balance their budget in response to the policy.


**Chapter 2: The One-Child Policy and Household Saving,** with Nicolas Coeurdacier (SciencesPo) and Keyu Jin (LSE)

We investigate whether China's "one-child policy" has contributed to the observed increases in the household saving rate and human capital in recent decades. In a life-cycle model with intergenerational transfers and human capital accumulation, fertility restrictions lower expected old-age support coming from children, inducing parents to raise saving and education investment in their offspring. Quantitatively, the policy can account for at least 30% of the rise in aggregate saving. Using the birth of twins under the policy as an empirical out-of-sample check to the model, we find that quantitative predictions of saving and education decisions line up well with micro-data.

## Chapter 3: Altruism and Entrepreneurial Risk-Taking

Family and friends are major sources of funding for entrepreneurs. In this paper, I characterize entrepreneurs' risk-taking in a model with two-sided altruism and limited commitment. I show that altruistic transfers affect risk-taking in two ways: (1) they offer insurance against entrepreneurial failure, and (2) the possibility to share payoffs with others mitigates decreasing marginal utility over larger gains. The model explains why entrepreneurs sometimes choose to undertake negative expected value projects with a small probability of a large gain. Unlike a model of financial constraints, altruism creates an inverse U-shaped relationship between family resources and risk taking. Individuals with very poor or very rich families take on less risk because they, respectively, never or always receive altruistic transfers. At intermediate levels of family resources, individuals seek lottery-like projects as a way to trigger transfers. I present evidence in support of the model predictions from Sweden and Sri Lanka.