




# Essays in Financial and Housing Economics



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## Abstract

This dissertation presents four essays. The first chapter builds a real-options, term structure model of the firm incorporating stochastic volatility and endogenous default to shed new light on the value premium, financial distress, momentum, and credit spread puzzles. The paper uses recently developed methodologies based on asymptotic expansions to solve the model. The second chapter, coauthored with Adam Guren, presents a model that shows how foreclosures can exacerbate a housing bust and delay the housing market's recovery. Quantitatively, the model successfully explains aggregate and retail price declines, the foreclosure share of volume, and the number of foreclosures both nationwide and across MSAs. The third and fourth chapters, coauthored with Stephen W. Salant and Jason Winfree, discuss the economics of untraceable experience goods in a variety of settings. The third chapter drops the "small country" assumption in the trade literature on collective reputation and shows how large exporters like China can address severe problems assuring the quality of its exports. The fourth chapter demonstrates how regulations in the formal sector of developing countries can lead to a quality gap between formal and informal sector goods. It moreover investigates how changes in regulation affect quality, price, aggregate production, and the number of firms in each sector.

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