



Amir Sufi
Fischer Black Prize for 2017

Amir Sufi

Amir Sufi conducts research in corporate finance, household finance, and macroeconomics. At the heart of his research is the following question: How does the arrangement of *financial claims* in an economy affect *real outcomes* such as business investment, household consumption, employment, and economic growth? While he has researched a number of topics, his major contributions have been in two areas: the role of household debt in macroeconomic fluctuations and empirical financial contracting.

Amir Sufi's research with Atif Mian on household debt examines the source of economic fluctuations and elucidates the causes of the Great Recession. The basic argument, developed in a series of studies, is that credit supply shocks—or changes in the willingness of lenders to provide credit—operate primarily through the household sector to generate business cycles. While previous research recognized a prominent role of financial frictions in reducing business investment and therefore affecting the supply side of the economy, Mian and Sufi's work highlights the importance of finance in amplifying business cycles through fluctuations in household demand.

This research began with a focus on the United States from 2000 to 2010, where Mian and Sufi used novel microeconomic data to show that an expansion in credit supply helped fuel a housing boom. Households borrowed and consumed aggressively during the boom, leading to a large rise in household debt that ultimately contributed to a foreclosure crisis (as shown in work also co-authored with Francesco Trebbi). Ultimately, Mian and Sufi argue that the sharp rise in household debt fueled by an expansion in credit supply was the primary culprit in explaining the worst U.S. recession since the Great Depression. This research was summarized in their 2014 book, *House of Debt: How They (and You) Caused the Great Recession and How We Can Prevent It from Happening Again*. The book won the University of Chicago Press Gordon J. Laing Prize, the first time the prize was awarded to an economics book in its 50 year history.

Together with Emil Verner, Mian and Sufi have extended this research to study household debt expansions and business cycles worldwide. They show a systematic relation between sharp increases in household debt and subsequent economic downturns in a panel of 30 countries over the past 40 years. In ongoing work, Sufi and his co-authors are exploring the importance of household debt in the 1980s business cycle in the United States and in emerging economies such as Brazil and South Korea since 2007. The ongoing research suggests that the close connection between credit supply shocks, household debt, and business cycles is present across many countries and many time periods.

In addition to being published in leading economics and finance academic journals, Sufi's work with Atif Mian on household debt has garnered the attention of business and policy leaders. It has been presented to leaders at the

Bank of England, the Federal Reserve, the United States Senate, and the White House. The research has been cited by the Bank of England as a motivation for macro-prudential regulation limiting household debt during periods of rising house prices in the United Kingdom.

In the field of corporate finance, Amir Sufi was among the initial group of empirical researchers who tested financial contracting theory using real world contracts. While theoretical work on financial contracting was well established when Sufi completed his Ph.D. in 2005, empirical work in the area remained limited. In a series of papers with Gregory Nini, Joshua Rauh, Michael Roberts, and David Smith, Sufi shows that financial contracting theory helps explain how firm capital structure affects corporate investment and corporate governance. For example, his research on covenants in private credit agreements was the first to show the widespread use by lenders of explicit binding restrictions on corporate investment. His research on financial covenant violations was the first to show the extensive role creditors play in corporate governance of firms long before firms miss an interest payment on their debt. His empirical research in financial contracting was cited in the Nobel Prize Scientific Background essay written for two of the pioneers of financial contracting theory: Oliver Hart and Bengt Holmstrom.

In addition to his faculty position at the University of Chicago Booth School of Business, Sufi is a member of the National Bureau of Economic Research's Corporate Finance, Economic Fluctuations and Growth, and Monetary Economics programs. He is also co-director of the Initiative on Global Markets at Chicago Booth. He serves as an Associate Editor of the *American Economic Review*, the *Journal of Finance*, and the *Quarterly Journal of Economics*.

Sufi grew up in Topeka, Kansas; he is the son of immigrants from Pakistan. He attended Washburn Rural High School in Topeka and did his undergraduate work at the Walsh School of Foreign Service at Georgetown University. Sufi began his career in economics as a research assistant at the Federal Reserve Bank of New York. He subsequently completed his Ph.D. in economics in 2005 at the Massachusetts Institute of Technology. He has been on the Chicago Booth faculty since 2005. He resides in Hyde Park in Chicago with his wife Saima Abedin Sufi and their three children.

The Fischer Black Prize honors individual financial research. It is awarded for a body of work that best exemplifies the Fischer Black hallmark of developing original research that is relevant to finance practice. The winner should either be under age 40, or under age 45 for a winner who had not been awarded a Ph.D. (or equivalent) by age 35. The American Finance Association appreciates the generosity of the following donors who made this prize possible: Norman Mason (founding donation), Gifford & Vivian Fong (capstone donation), Peter & Barbara Bernstein, Douglas & Josie Breeden, Michael Brennan, George Constantinides, John & Maria Cox, Darrell Duffie & Denise Savoie, Chi-fu Huang, Hayne Leland, Robert Litzenberger, Andrew & Nancy Lo, Stewart Myers, David Pyle, Stephen & Carol Ross, Eduardo Schwartz, Jack Treynor, and Jiang Wang & Jing Luo.