

Erkki Vihriälä

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Employment

Academy Research Fellow (since September 2023).
Postdoctoral Researcher (since August 2020).
Aalto University School of Business, Department of Finance.

Education

DPhil in Economics (Essays in Household Finance), University of Oxford, 2020.
MSc in Economics, London School of Economics and Political Science, 2012.
BSocSci in Economics, University of Helsinki, 2011.

Accepted Papers

Self-imposed Liquidity Constraints via Voluntary Debt Repayment

Journal of Financial Economics, Volume 150, Issue 2, November 2023

Debt-repayment flexibility should help temporarily liquidity-constrained households but not necessarily households struggling to save. In a natural experiment in which households can apply for free mortgage-repayment flexibility, I find that two-thirds of liquidity-constrained applicants with high-cost debt voluntarily restrict flexibility and forgo, on average, 4,070 EUR of low-cost liquidity. An overconsumption tendency reflecting self-control problems can explain the voluntary liquidity restrictions as well as the persistent liquidity constraints, the consumption drop at the predictable end of flexibility, and saving in other illiquid assets. Self-imposed liquidity constraints reflect characteristics instead of circumstances and reduce the potency of debt-forbearance offers in recessions.

Intra-household Frictions, Anchoring, and the Credit Card Debt Puzzle

Accepted for publication in the Review of Economics and Statistics

I study how intra-household frictions and anchoring contribute to the credit card debt puzzle, the co-holding of high-cost debt and low-yield liquid assets. First, I find couples co-hold 42 percent more as units than as individuals relative to income. Moreover, in a natural experiment, couples do not cooperate to reduce high-cost debt, suggesting that intra-household frictions contribute to co-holding. Second, I find individuals who regularly make credit card debt payments equal to or near the minimum account for 59 percent of individual co-holding. The evidence suggests anchoring to the minimum payment contributes to co-holding via these low payments.

Working Papers

(Not) Anticipating Predictable Inheritances

with Tuomo Virkola

We study whether people spend in anticipation of predictable inheritances from elderly parents or act as if inheritances are unpredictable windfalls. Implying incomplete anticipation, children increase car purchases by 36 percent after non-sudden parental death. Moreover, pre-inheritance spending, labor supply, and borrowing behavior indicate little to no anticipation. Standard life-cycle explanations (liquidity constraints, uncertainty, news, mortality beliefs) do not seem to explain the incomplete anticipation, suggesting behavioral or strategic explanations (mental accounting, norms, inheritance division). Given the size of inheritances, our results imply a high-stakes deviation from life-cycle consumption smoothing. Moreover, incomplete anticipation reduces the value of parental inheritances.

Household Responses to Phantom Riches

with Samuli Knüpfer, Ville Rantala, and Petra Vokata

We study household responses to "phantom riches"—the illusion of attaining substantial wealth—by using administrative data on Ponzi scheme investors. An event-study design exploiting staggered entry shows investors experience a 6 percent labor income loss. Income first declines when an investor joins the scheme, consistent with distorted beliefs lowering labor supply. The scheme's collapse evokes a further decrease, which we attribute to financial stress caused by the collapse. Investors also face higher unemployment and indebtedness and shy away from delegated investments. The long-run income loss twice exceeds the direct investment loss and substantially adds to the social cost of fraud.

Work in Progress

Anticipation of Predictable House-price Increases (with Tuomo Virkola)

Debt-market-participation Puzzle (with Samuli Knüpfer, Elias Rantapuska, and Constantine Yannelis)

Selected Presentations and Discussions

CEPR European Conference on Household Finance 2023, ZEW Conference on Ageing and Sustainable Finance 2023, Lapland Household Finance Summit 2023 (discussant), ASSA 2022, CEPR Seventh European Workshop on Household Finance 2022 (discussant), Financial Intermediation Research Society Conference 2021 (discussant), University of Copenhagen, Bocconi University, Stockholm School of Economics, BI Oslo, NFA 2020, FDIC Consumer Research Symposium 2020, Paris December Finance Meeting 2020, Consumer Financial Protection Bureau Research Conference 2019, SAFE 4th Household Finance Workshop, CEPR Fourth European Workshop on Household Finance, RES Symposium of Junior Researchers 2019, Yale Whitebox Advisors Graduate Student Conference 2018, EEA-ESEM Conference 2018, Financial Conduct Authority

Scholarships, Awards and Grants

Academy of Finland Research Fellowship (2023–27), HSE Support Foundation (2022), OP Group Research Foundation (2022), Yrjö Jahnsson Foundation (2013, 2018, 2020), Alfred Kordelin Foundation (2020), Pörssisäätiö (2019, 2020), Suomen Arvopaperimarkkinoiden Edistämissäätiö (2019, 2020), KAUTE Foundation (2020), Best PhD Paper Award at CEPR Fourth European Workshop on Household Finance, Savings Banks Research Foundation (2018), Emil Aaltonen Foundation (2018), Finnish Cultural Foundation (2016), Oskar Huttunen Foundation (2014)

Teaching

Aalto: Bachelor's Thesis Supervisor in Finance (2022, 2023), Co-instructor for Advanced Corporate Finance (2023), Co-instructor for Capstone Valuation (2021, 2022, 2023), Teaching Assistant for Behavioral and Sustainable Finance (2020)