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Academic Positions

July 2016 -	Assistant Professor of Finance, University of Texas at Austin McCombs School of Businesss

Education

2016	Ph.D. in Economics, University of Pennsylvania Thesis committee: Harold L. Cole, Guillermo Ordoñez, Itay Goldstein, Dirk Krueger
2010	M.Sc. in Economics, Tilburg University
2009	B.Sc. in Economics, Humboldt Universität zu Berlin

Research Areas

Macroeconomics, asset pricing, financial intermediation, sovereign default.

Publications

1. "Do universal banks finance riskier but more productive firms? (2018)" with Farzad Saidi. *Journal of Financial Economics*, Vol. 128(1), pages 66-85.

   Abstract: Using variation in bank scope generated by the stepwise repeal of the Glass-Steagall Act in the U.S., we show that the deregulation of universal banks allowed them to finance firms with 14% higher volatility. This increase in risk is compensated by lasting improvements in firms' total factor productivity of 3%. Using bank-scope-expanding mergers to identify shocks to universal banks' private information about borrower firms, we provide evidence that informational economies of scope across loans and non-loan products account for the firm-level real effects of universal banking.

Working Papers

2. "Risk Sharing, Investment and Asset Prices According to Cournot and Arrow Debreu" (2020) with Michael Sockin.

   Abstract: We study the macroeconomic consequences of financial market concentration in a complete markets economy with production. We propose a theory in which differences in preferences, productivity, and risk exposure generate gains from trade, but these gains are not fully realized because some large agents internalize their impact on asset prices. We then show that rents from strategic trading feed back into the real economy by distorting the marginal value of production. Along with an increase in valuations, the model can generate a joint decline in investment, productivity, risk-free rates and the market risk premium. Welfare losses from strategic trading can be measured using asset market data, and are largest in the most liquid markets.

3. "Information Spillovers in Sovereign Debt Markets" (2020) with Harold L. Cole and Guillermo Ordoñez. *NBER Working Paper 22330*.

   Abstract: We develop a theory of information spillovers in primary sovereign bond markets where governments raise funds from a common pool of competitive investors who may acquire information about default risk and later trade in secondary markets. Strategic complementarities in information acquisition lead to the co-existence of an *informed regime* with high yields and high volatility, and a Pareto-dominant *uninformed regime* with low yields and low volatility. Small shocks to default risk in a single country may trigger information acquisition, retrenchment of capital flows, and sharp yield increases within and across countries. Competitive secondary markets strengthen information acquisition incentives, raise primary market yields, and amplify spillovers.

4. "A Dynamic Theory of Collateral Quality and Long-term Interventions" (2019) with Michael Junho Lee.

   Revise and Resubmit, **Journal of Financial Economics**

   Abstract: We study a dynamic model of collateralized lending under asymmetric information in which collateral assets' quality is determined by hidden effort. Complementarities in incentives lead to non-ergodic dynamics that differ qualitatively from canonical frameworks: asset quality and output grow when asset quality is high, but stagnate or deteriorate otherwise. Inefficiencies remain even in the most efficient competitive equilibrium: investment and output are vulnerable to spells of lending market illiquidity, and these may persist because of sub-optimal effort. Nevertheless, benevolent regulators without commitment can destroy welfare by prioritizing liquidity over incentives. Optimal interventions with commitment call for large, long-term subsidies in excess of what is required to restore liquidity.

5. "Inefficient Asset Price Booms" (2018).

   Revise and Resubmit, **Review of Financial Studies**
   Winner, Lamfalussy Fellowship of the European Central Bank.
   Runner-up, European Systemic Risk Board Ieke van den Burg Prize.

   Abstract: This paper develops a theory of credit cycles to account for recent evidence that capital is increasingly allocated to inefficiently risky projects during credit booms. The model features lenders who sell risky assets to less informed investors in order to relax collateral constraints. When asset prices are high, however, these lenders begin pro- ducing and selling inefficiently risky assets. Asset prices rise during booms because the buyers of risky assets grow wealthy when their risk-taking pay offs, triggering a decline in investment efficiency and an increase in aggregate risk exposure. I study conditions that give rise to credit cycles and consider policy implications.

6. "A Walrasian Theory of Sovereign Debt Auctions with Asymmetric Information" (2018) with Harold L. Cole and Guillermo Ordoñez.

   Abstract: How does investors' information about a country's fundamentals, and the fact that this information may be asymmetrically held, affect a country's financing cost? Motivated by this question, and by the observation that sovereign bonds are usually auctioned in large lots to a large number of potential investors, we develop a novel model of auctions with asymmetric information that relies on price-taking and rational expectations. We first characterize sovereign bond prices for different degrees of asymmetric information under two commonly-used protocols: discriminatory-price auctions and uniform-price auctions. We show that there is trade-off between these protocols if information is sufficiently asymmetric: expected bond yields are higher when pricing is discriminatory, but yield volatility is higher when pricing is uniform. We then study endogenous information acquisition and find that (i) discriminatory auctions may display multiple welfare-ranked informational equilibria, and (ii) investors are less likely to acquire information in uniform auctions.

7. "Bank Deregulation and the Rise of Institutional Lending" (2016) with Farzad Saidi.

   Abstract: We study the determinants of increased participation of non-bank financial interme- diaries in the market for syndicated loans prior to the 2008 financial crisis. Insti- tutional investors who do not have monitoring expertise disproportionately purchase loan tranches originated by banks able to offer both loans and underwriting services to firms. Our argument is that non-loan exposures to firm performance ensure monitoring incentives even when banks retain small loan shares. Since such universal banking was permitted only after the repeal of the Glass-Steagall Act, our findings suggest a direct link from bank deregulation to the rise of non-bank intermediaries.

Work in Progress

8. "Asymmetric Information in Sovereign Debt Auctions: Theory meets Mexican Evidence" with Harold L. Cole and Guillermo Ordoñez.
9. "Financial Market Design" with Mahyar Sefidgaran and Michael Sockin.
10. "Monetary Policy Transmission in Concentrated Financial Markets" with Michael Sockin.

Fellowships and Awards

2016	European Systemic Risk Board Ieke van der Burg Prize (Runner up)
2015	Lamfalussy Fellowship of the European Central Bank
2015	Robert Summers Dissertation Fellowship at the University of Pennsylvania

Courses Taught

Spring 2020-	Ph.D. Asset Pricing Theory (University of Texas at Austin FIN-395)
Spring 2017-	Business Finance Honors (University of Texas at Austin FIN-357H)
Fall 2012	Undergraduate Intermediate Microeconomics (UPenn Economics Course 101)

Seminar and Workshop Presentations

2019	Boston College Carroll, Boston University Questrom (scheduled)
2019	Carnegie Mellon University, Minnesota Junior Finance Workshop, UVA Symposium on Financial Economics
2018	European Central Bank, University of Bristol.
2016	Federal Reserve Bank of New York, University of Texas at Austin, Penn State, Yale, Johns Hopkins, Notre Dame, Federal Reserve Board of Governors, University of Rochester
2015	University of Pennsylvania, Wharton.

Conference Presentations

2020	UBC Winter Finance Conference (Whistler), MFA, SFS Cavalcade (2x).
2019	SED St. Louis, North American Summer Meeting of the Econometric Society (Seattle), European Finance Association Meeting, 10th Tepper-LAEF Advances in Macro Finance conference
2018	AEA Philadelphia, AFA Philadelphia, FIRS Barcelona, SED Mexico City, North American Summer Meeting of the Econometric Society (Davis, CA)
2018	AEA Philadelphia, AFA Philadelphia, FIRS Barcelona, SED Mexico City, North American Summer Meeting of the Econometric Society (Davis, CA)
2017	Cowles Foundation 13th Annual Conference on General Equilibrium and Its Applications (Yale), CEPR/Brevan Howard Centre Modelling Credit Cycles Conference (Imperial College Business School), Financial Intermediation Research Society Conference (Hong Kong), Barcelona GSE Summer Forum, AFA Chicago
2016	2016 OFR-Cleveland Fed Conference on Financial Stability, 2016 Notre Dame Conference on Current Issues in Financial Regulation.
2014	Jackson Hole Finance Group Conference.

Conference Discussions

1. "The Emergence of Market Structure" by M. Farboodi, G. Jarosch, and R. Shimer. *UNC Junior Finance Roundtable*, December 2017.
2. "SoNoMa – A Small Open Economy Model for Macrofinance" by Croce, Jahan-Parvar and Rosen. *NFA*
3. "Debt Renegotiation and Debt Overhang: Evidence from Lender Mergers" by Chu. *MFA*
4. "(In)efficient Credit Booms: The Role of Collateral" by Anzoategui, Martinez, Rabanal and Unsal. *Barcelona GSE Research Webinar on Asset Prices, Macroeconomics and Finance*.

Invited Workshops

2012	Princeton Initiative: Macro, Money, and Finance.

Professional Activities

Referee for: American Economic Journal: Macroeconomics, Econometrica, Theoretical Economics, International Economic Review, Journal of Economic Theory, Journal of Finance, Journal of Monetary Economics, Lamfalussy Fellowship of the European Central Bank, Review of Financial Studies, Journal of Financial Services Research, Review of Economic Dynamic, Management Science.

Affiliations and Memberships: Macro-Finance Society, Finance Theory Group, AFA, AEA.