David Stillerman

Northwestern Economics

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Fields

Research: Industrial Organization, Finance

Teaching: Microeconomics, Industrial Organization, Finance

Education:

Ph.D., Economics, Northwestern University, 2022 (anticipated)
Dissertation: *Empirical Studies of Policy Design in Lending Markets*
Committee: Robert Porter (Chair), Vivek Bhattacharya, Gaston Illanes

B.A.: Economics and Mathematics/Statistics (magna cum laude), Carleton College, 2014

Fellowships & Awards

Graduate Dissertation Fellowship, 2021
Distinguished Teaching Assistant Award, 2018
Phi Beta Kappa, 2014
Ada M. Harrison Prize in Economics, 2014
Winfield A. Foreman Endowed Scholarship (Economics), 2013

Teaching Experience

Teaching Assistant, Northwestern University, 2017-2018
Introduction to Microeconomics, Intermediate Microeconomics I

Research Experience

Research Assistant, Vivek Bhattacharya, Northwestern University, 2018-2020
Research Assistant, Gaston Illanes, Northwestern University, 2018-2020

Presentations

Northwestern University Industrial Organization Workshop, 2021

Job Market Paper

"Loan Guarantees and Incentives for Information Acquisition"

To address credit constraints in small-business lending markets, policymakers frequently rely on loan guarantees, which provide lenders with insurance against default and aim to expand credit. Guarantees affect loan prices through two channels: (1) they alter the effective marginal cost of lending, and (2) they create a moral hazard problem, dampening incentives for lenders to collect information about borrower quality. The combination of these two effects implies that guarantee programs disproportionately benefit high-risk borrowers and may even harm low-risk borrowers. In this paper, I quantify these channels in the setting of the SBA 7(a) Loan Program and find that more generous loan guarantees lead to a decline in average loan prices, but benefits are concentrated among high-risk borrowers. In fact, low-risk borrowers receive lower surplus as guarantees increase, and moving from the 90% guarantee observed in the data to a rate of 50% would raise their surplus by 2.5%. The heterogeneity in impact suggests that alternative policies that moderate the effect of bank moral hazard could increase aggregate borrower surplus. I propose a hybrid policy design with a 50% guarantee and a subsidy set such that government spending is fixed. When compared to the baseline of 90% with no subsidy, the alternative policy mitigates the redistribution from low- to high-risk borrowers and leads to a 1.6% increase in borrower surplus, on average, and 0.1 percentage point (1.6%) decline in the program's default rate.

Working Paper

"Incentive Structures and Borrower Composition in the Paycheck Protection Program" with P. Kim

We study the design of the Paycheck Protection Program (PPP), a loan-forgiveness scheme that is implemented through private lenders and assists small businesses in keeping their employees on payroll during the COVID-19 pandemic. We develop a model of PPP lending to capture the government's tradeoff between inducing bank participation and targeting funds for use on payroll. Using the model, we establish that both increasing subsidies and relaxing forgiveness standards are effective in expanding credit access to borrowers seeking smaller loans. However, their efficacy in targeting (i.e., providing funds to businesses who will use them on payroll) depends on the correlation between loan amounts and borrowers' return to payroll. We test the implications of the model using policy variation from the PPP Flexibility Act, legislation that relaxed forgiveness standards. Consistent with the predictions of the model, the average loan amount falls by between 6 and 7% in the period following the policy change. Furthermore, marginal borrowers are more likely than inframarginal borrowers to use funds for payroll, so making forgiveness more accessible increases the average share of funds used for those purposes.

Work in Progress

"Have Mergers Raised Prices? Evidence from U.S. Retail" with V. Bhattacharya and G. Illanes

The price effects of mergers are ambiguous, as the greater potential for exercising market power can be compensated by cost savings induced by synergies. As a result, when determining whether to approve a proposed deal, antitrust agencies in the U.S. carefully consider the competitive impacts and potential cost synergies associated with the merger. In this project, we assemble a dataset of all U.S. retail mergers from 2006 – 2017 associated with deals larger than $350 million. The comprehensive nature of our dataset eliminates concerns of publication bias, allowing us to recover the distribution of price changes for approved mergers and examine which aspects of market structure correlate with these measured price changes. Through the lens of a simple model of the agencies' decisions to challenge mergers, we then estimate the probability of the agencies undertaking an enforcement action as a function of their (noisy) beliefs about price changes. We use this function to comment on the stringency of antitrust enforcement in the U.S.

Previous Employment

Analysis Group, Inc., Intern (2013), Analyst (2014-2015), and Senior Analyst (2016)

Programming

MATLAB, Python, R, Stata

References

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