

# BENEDICT GUTTMAN-KENNEY

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## Education

2018-Present University of Chicago Booth School of Business  
Ph.D. Economics Candidate

2011-2012 University College London  
MSc Economic Policy

2008-2011 University of Warwick  
BSc Economics

## Research Fields

Household Finance, Behavioral Economics, Applied Microeconomics.

## Affiliations

2020-Present [TE](#) Research Fellow. TE is a UK Research & Innovation (UKRI) funded collaboration between academia and private data providers conducting research and providing real-time, regional data via a dashboard to UK policymakers.

2016-2018 Financial Conduct Authority (FCA), Senior Economist

2012-2016 Financial Conduct Authority (FCA), Economist

2015 Federal Reserve Bank of New York, Seconded National Expert (from FCA)

2010 Bank of England, Summer Intern

## Research Grants

2020 John and Serena Liew Fellowship Fund at the Fama-Miller Centre for Research in Finance

2019 Chicago Booth PhD Research Grant

## Presentations

Boulder Summer Conference On Consumer Financial Decision Making, #EconTwitter Virtual Finance + Economics Conference 2020, Federal Deposit Insurance Corporation (FDIC) Consumer Research Symposium 2019, Consumer Financial Protection Bureau (CFPB) Research Conference 2019, RAND Behavioral Finance (BeFi) Forum 2019, Advances with Field Experiments Conference 2018, , NBER Summer Institute 2016 - Household Finance (co-author presented), Network for Integrated Behavioral Science (NIBS)

Conference 2016, University of Essex Seminar 2016, University of Stirling Behavioral Science Workshop 2016, NBER Summer Institute 2015 - Law & Economics (co-author presented), Federal Reserve Bank of New York (FRBNY) Research Seminar 2015.

## Discussant

*Scheduled:* Allied Social Science Associations (ASSA) 2022 Annual Meeting - American Real Estate & Urban Economics Association (AREUEA).

## Publications

**Tracking and Stress-Testing U.S. Household Leverage** (2018) With Andreas Fuster and Andrew Haughwout. *Economic Policy Review* 24 (1): 35-63. ([Updated data](#)).

Summarized in [Liberty Street Economics blog](#)

Borrowers' housing equity is an important component of their wealth and a critical determinant of their vulnerability to shocks. In this paper, we create a unique data set that enables us to provide a comprehensive look at the ratio of housing debt to housing values what we refer to as household leverage at the micro level. An advantage of our data is that we are able to study the evolution of household leverage over time and locations in the United States. We find that leverage was at a very low point just prior to the large declines in house prices that began in 2006, and rose very quickly thereafter, despite reductions in housing debt. As of early 2016, leverage statistics are approaching their pre-crisis levels, as house prices have risen more than 30 percent nationally since 2012. We use our borrower-level leverage measures and another unique feature of our data updated borrower credit scores to conduct 'stress tests': projecting leverage and defaults under various adverse house price scenarios. We find that while the riskiness of the household sector has declined significantly since 2012, it remains vulnerable to very severe house price declines.

**How Do Payday Loans Affect Borrowers? Evidence From the U.K. Market** (2019) With John Gathergood and Stefan Hunt. *Review of Financial Studies*, 32 (2): 496-523. Reprinted in [Society for Financial Studies Virtual Issue: Debt](#).

Payday loans are controversial high-cost, short-term lending products, banned in many U.S. states. But debates surrounding their benefits to consumers continue. We analyze the effects of payday loans on consumers by using a unique data set including 99% of loans approved in the United Kingdom over a two-year period matched to credit files. Using a regression discontinuity research design, our results show that payday loans provide short-lived liquidity gains and encourage consumers to take on additional credit. However, in the following months, payday loans cause persistent increases in defaults and cause consumers to exceed their bank overdraft limits.

**Do Nudges Reduce Borrowing and Consumer Confusion in the Credit Card Market?** (2021) With Paul Adams, Lucy Hayes, Stefan Hunt, David Laibson and Neil Stewart. *Economica (Centenary Issue)*, *Forthcoming*

We test the effects of informational nudges on credit card indebtedness through two field experiments on 183,441 UK credit cardholders across three lenders. The nudges encourage cardholder action to reduce debt – emphasizing the long repayment time and high costs of repeatedly only paying the credit card minimum payment. Our first experiment tests nudges on credit card monthly statements and finds zero effects on debt. Our second experiment tests letters or email nudges that are separate to monthly statements and sent

to cardholders who consistently pay only the minimum. Initial cardholder responses to these nudges are not sustained with no effect on debt after nine months. We find 96% of survey respondents in the control group underestimate repayment time from repeated minimum payments. The nudges significantly reduce how biased these estimates are, but the overwhelming majority still make substantial underestimates.

**Default Effects of Credit Card Minimum Payments** (2021) With Hiroaki Sakaguchi, Neil Stewart, John Gathergood, Paul Adams, Lucy Hayes and Stefan Hunt.

***Journal of Marketing Research, Conditional Accept***

Credit card minimum payments are designed to ensure that individuals pay down their debt over time, and scheduling minimum automatic repayments helps to avoid forgetting to repay. Yet minimum payments have additional, unintended psychological default effects by drawing attention away from the card balance due. First, once individuals set the minimum automatic repayment as the default, they then neglect to make the occasional larger repayments they made previously. As a result, card holders incur considerably more interest than late payment fees avoided. Using detailed transaction data, we show that approximately 8% of all of the interest ever paid is due to this effect. Second, manual credit card payments are lower when individuals are prompted with minimum payment information. Two new interventions to mitigate this effect are tested in an experiment, prompting full repayment and prompting those repaying little to pay more, with large counter effects. Hence, obscuring the minimum payment option for automatic and manual payments and directing attention to the full balance may remedy these unintended effects.

## Covid Research

**The English Patient: Evaluating Local Lockdowns Using Real-Time COVID-19 & Consumption Data** (2021) With John Gathergood. *CEPR Covid Economics*, 64: 73-100. Summarized in [Economics Observatory](#) and [Chicago Booth Review](#).

We find UK “local lockdowns” of cities and small regions, focused on limiting how many people a household can interact with and in what settings, are effective in turning the tide on rising positive COVID-19 cases. Yet, by focusing on household mixing within the home, these local lockdowns have not inflicted the large declines in consumption observed in March 2020 when the first virus wave and first national lockdown occurred. Our study harnesses a new source of real-time, transaction-level consumption data that we show to be highly correlated with official statistics. The effectiveness of local lockdowns are evaluated applying a difference-in-difference approach which exploits nearby localities not subject to local lockdowns as comparison groups. Our findings indicate that policymakers may be able to contain virus outbreaks without killing local economies. However, the ultimate effectiveness of local lockdowns is expected to be highly dependent on co-ordination between regions and an effective system of testing.

**Levelling Down and the COVID-19 Lockdowns: Uneven Regional Recovery in UK Consumer Spending** (2021) With John Gathergood, Fabian Gunzinger, Edika Quispe-Torreblanca & Neil Stewart. *CEPR Covid Economics*, 67: 24-52.

Summarized in [Economics Observatory](#) and [Chicago Booth Review](#).

We show the recovery in consumer spending in the United Kingdom through the second half of 2020 is unevenly distributed across regions. We utilise Fable Data: a real-time source of consumption data that is a highly correlated, leading indicator of Bank of England and Office for National Statistics data. The UK’s recovery is heavily weighted towards the

“home counties” around outer London and the South. We observe a stark contrast between strong online spending growth while offline spending contracts. The strongest recovery in spending is seen in online spending in the “commuter belt” areas in outer London and the surrounding localities and also in areas of high second home ownership, where working from home (including working from second homes) has significantly displaced the location of spending. Year-on-year spending growth in November 2020 in localities facing the UK’s new tighter “Tier 3” restrictions (mostly the midlands and northern areas) was 38.4% lower compared with areas facing the less restrictive “Tier 2” (mostly London and the South). These patterns had been further exacerbated during November 2020 when a second national lockdown was imposed. To prevent such COVID-19-driven regional inequalities from becoming persistent we propose governments introduce temporary, regionally-targeted interventions in 2021. The availability of real-time, regional data enables policymakers to efficiently decide when, where and how to implement such regional interventions and to be able to rapidly evaluate their effectiveness to consider whether to expand, modify or remove them.

## Working Papers

**The Semblance of Success in Nudging Consumers to Pay Down Credit Card Debt** (2021) With Paul Adams, Stefan Hunt, David Laibson and Neil Stewart.

We study how consumer responses to a nudge counteract its intended effect to reduce credit card debt. The nudge shrouds the option to automatically pay only the contractual minimum & increases the salience of a payment option to automatically amortize debt faster. Despite the intervention causing large proximate effects – increasing enrollment to this salient payment option 21 percentage points & reducing the likelihood of only paying the minimum by 7 percentage points – it has no distal effects on debt. Results are explained by three offsetting consumer responses: (i) Automatic payment amounts selected often bind at the contractual minimum or are small amounts above it, (ii) Automatic payment enrollment decreases – increasing missed payments, and (iii) Manual payments decrease.

**Weighing Anchor on Credit Card Debt** (2018) With Jesse Leary and Neil Stewart.

We find it is common for consumers who are not in financial distress to make credit card payments at or close to the minimum. This pattern is difficult to reconcile with economic factors but can be explained by minimum payment information presented to consumers acting as an anchor that weighs payments down. Building on Stewart (2009), we conduct a hypothetical credit card payment experiment to test an intervention to de-anchor payment choices. This intervention effectively stops consumers selecting payments at the contractual minimum. It also increases their average payments, as well as shifting the distribution of payments. By de-anchoring choices from the minimum, consumers increasingly choose the full payment amount which potentially seems to act as a target payment for consumers. We innovate by linking the experimental responses to survey responses on financial distress and to actual credit card payment behaviours. We find that the intervention largely increases payments made by less financially-distressed consumers. We are also able to evaluate the potential external validity of our experiment and find that hypothetical responses are closely related to consumers’ actual credit card payments.

## Soon-To-Be-Released Working Paper

- Flag Tag: Credit File Disaster Flags As Social Insurance Tags

## Refereeing

*Finance Research Letters, EMCON 2020*

## Teaching

2020 Chicago Booth MBA Course: Competitive Strategy (Thomas Covert) – Teaching Assistant

## Data Partners

The following organizations share data with me for research:

- [Fable Data](#)
- [Huq](#)
- [TransUnion](#) (via [Kilts Center for Marketing](#))

## Data Assets Created

- Co-created (with Tom Crossley, Annette Jäckle & Jesse Leary) credit file data merged with the existing UK nationally-representative longitudinal household panel (Understanding Society). Collaboration between the Financial Conduct Authority, the Institute for Social and Economic Research (ISER) at the University of Essex and Economic and Social Research Council (ESRC). Version of merged data scheduled to be publicly deposited on UK Data Archive.
- Created dataset of UK credit cards to evaluate effects of series of field experiments for regulatory use by Financial Conduct Authority. These credit card data were merged with credit files as well as an accompanying consumer survey (which I also designed).
- Created the first panel of UK credit file data for regulatory use by Financial Conduct Authority & Bank of England. This was designed as a UK version of the Federal Reserve Bank of New York's Consumer Credit Panel.
- Designed 2016 consumer survey of UK payday lending market for regulatory use by Financial Conduct Authority.
- Co-created (with John Gathergood & Stefan Hunt) dataset of UK payday lending market (2012 - 2018) covering loan applications and originations and merged to credit files for regulatory use by Financial Conduct Authority.
- Designed (with With Alessandro Nava, John Gathergood & Stefan Hunt) 2014 consumer survey of UK payday lending market for regulatory use by Financial Conduct Authority.

## Policy Research

On-going policy work with UK policymakers (Bank of England, Her Majesty's Treasury, Office for National Statistics) through role as a TE Research Fellow. TE is a UK Research & Innovation (UKRI) funded collaboration between academia and private data providers conducting research and providing real-time, regional data via a dashboard to UK policymakers. Latest public work updated at: [tracktheeconomy.ac.uk](https://tracktheeconomy.ac.uk).

## Local Government Funding

- **Where in the UK most needs £4.8bn levelling up funds post-covid?** (July 2021) With John Gathergood, Sarah Hall and Arif Sulistiono. *Economics Observatory* blog.

## Covid

- **Local lockdown and regional recovery: what can real-time consumption data tell us?** (3 March 2021) *VoxEU / CEPR* interview.
- **How uneven is the recovery in consumer spending across UK regions?** (16 December 2020) With John Gathergood, Fabian Gunzinger, Edika Quispe-Torreblanca & Neil Stewart. *Economics Observatory* blog.
- **How can authorities control coronavirus without killing the economy?** (8 October 2020) with John Gathergood. *Economics Observatory* blog.

## Credit Cards

- **Helping credit card users repay their debt: a summary of experimental research** (July 2018) with Paul Adams, Lucy Hayes and Stefan Hunt. *FCA Research Note*. This summarizes *FCA Occasional Papers No. 42, 43, 44, 45* that became academic papers.
- **Credit Card Market Study Annex 4: Behavioural trials** (July 2016).

## Consumer Credit

- **Who's driving consumer credit growth?** (8 January 2018) with Liam Kirwin and Sagar Shah. *Bank Underground & FCA Insight* blogs.
- **Preventing financial distress by predicting unaffordable consumer credit agreements: An applied framework** (July 2017) with Stefan Hunt. *FCA Occasional Paper No. 28*.
- **High-Cost Credit Review Technical Annex 1: Credit reference agency (CRA) data analysis of UK personal debt** (July 2017).
- **Can we predict which consumer credit users will suffer financial distress?** (August 2016) with John Gathergood. *FCA Occasional Paper No. 20*.
- **Can financial distress be predicted or is that just life (events)?** (3 August 2016) with John Gathergood. *FCA Insight* blog.

## Payday Loans (known as high-cost short-term credit, HCSTC)

- **High-cost short-term credit price cap consumer research** (June 2017). **Summary report** of survey results & **technical report on survey design**.
- **Call for Input: High-cost credit Including review of the high-cost short-term credit (HCSTC) price cap. Annex 3: Technical annex: HCSTC market analysis January 2014 to June 2015** (November 2016).
- **Detailed rules for the price cap on high-cost short-term credit including feedback on CP14/10 and final rules. Annex 3: Feedback (and our response) to our Technical Annex (supplement to CP14/10)** (November 2014).
- **High-cost short-term credit price cap: Technical Annex** (July 2014).

## Poverty

- Academic advisor to UK Department of Work & Pensions on [developing a new UK poverty measure](#).

## Selected Media Coverage

*The Financial Times (including front page), The Wall Street Journal, The Economist, Bank Underground, BBC You and Yours, BBC Today programme, Brookings Hutchins Roundup, Chicago Booth Review, CityAM, DS News, Economics Observatory, Fable Data blog, FCA Insight, Liberty Street Economics blog, LSE British Politics and Policy blog, Reuters, Ritholtz, The Daily Telegraph, The Guardian, The Independent, The Observer, The Times, VoxEU/CEPR.*

## Memberships

*American Economic Association (AEA), American Finance Association (AFA), Royal Economic Society (RES), Society for Financial Studies (SFS), Society of Government Economists (SGE), Society for Judgement and Decision Making (SJDM).*

## Other Pre-PhD Training

2017 Incorporating more realistic psychology into economic analysis  
Taught by Matthew Rabin (Harvard).

2016 Bespoke FCA microeconometrics training at University College London  
Taught by Frank Windmeijer (Bristol), Jeffrey Wooldridge (Michigan State) & Lars Nesheim (UCL).

2016 John Hopkins University/Coursera Data Science Specialization

2013 Beyond Rationality: Behavioural Economics and the Modern Economy  
Taught by Matt Levy & Kristof Madarasz at the London School of Economics.

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