

BENEDICT GUTTMAN-KENNEY ECONOMIST

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Office Contact Information

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Education

University of Chicago Booth School of Business, 2018 to present
Ph.D. Candidate in Economics

University College London, 2011 to 2012
MSc Economic Policy

University of Warwick, 2008 to 2011
BSc Economics

Research Fields

Household Finance, Behavioral Economics, Applied Microeconomics.

Research Experience and Other Employment

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

2010 Bank of England, Summer Intern

Software Experience

STATA, R, SQL, Git, L^AT_EX

Publications

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.

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.

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

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.

Research Papers

The Semblance of Success in Nudging Consumers to Pay Down Credit Card Debt (2018). With Paul Adams, Lucy Hayes, Stefan Hunt, David Laibson and Neil Stewart. *FCA Occasional Paper No. 45*.

We study consumer responses to a randomised field experiment on credit card debt repayment. This intervention shrouds the option to automatically pay the contractual minimum at the end of each pay cycle. This increases the salience of the other automatic payment option: cardholders can select a fixed monthly payment, which is typically more than the contractual minimum. The intervention results in a very large increase in the amounts consumers select for automatic payment. However, it has no effect on other, more important outcomes: total debt repayments (including both automatic and non-automatic ie manual payments), credit card spending, borrowing costs or debt net of payments. These null effects arise primarily because consumers in the treatment group offset their increased automatic payments by reducing the value of their (infrequent) manual payments. The intervention also causes a modest reduction in consumers selecting any type of automatic payments, which leads to a small increase in arrears.

The Conflict Between Consumer Intentions, Beliefs and Actions to Pay Down Credit Card Debt (2018). With Paul Adams, Lucy Hayes, Stefan Hunt, David Laibson and Neil Stewart. *FCA Occasional Paper No. 44*.

We attempt to increase credit card payments through behaviourally-informed disclosures tested in experiments across 3 UK lenders. The first experiment finds no effect of adding disclosures to credit card statements. The second experiment targets credit card users paying their bills via automatic minimum payments. This group commonly and repeatedly only make minimum payments. Few consumers respond to the intervention. The treatment causes an average reduction in consumers paying only the minimum and a reduction in credit card debt that is not sustained. Adding cost information to the disclosures does not significantly change responses, however, adding a reminder does increase response rates. Effects are primarily driven by the subgroup of consumers with 0% balance transfer debts. The continuing patterns of repeated minimum payments among consumers with automatic minimum payments do not appear to be explained by liquidity constraints. They are also inconsistent with the majority of stated preferences showing intentions for debt reduction. An explanation appears to be that consumers have mistaken beliefs. They under-estimate how long debt will take to amortise whilst only making minimum payments and avoid information telling them otherwise.

Weighing Anchor on Credit Card Debt (2018). With Jesse Leary and Neil Stewart. *FCA Occasional Paper No. 43*.

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.

Relevant 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 (LSE) at the London School of Economics.