Benedict Guttman-Kenney: Research Statement*

I am an Assistant Professor of Finance at Rice University, Jones Graduate School of Business. I hold a Ph.D. Economics & M.B.A. at the University of Chicago Booth School of Business and was awarded the NBER Dissertation Fellowship on Consumer Finance. My research focuses on household finance topics that are both academically interesting and relevant to inform public policymaking on the topic of consumer financial protection regulation. Before starting my PhD, I previously worked for six years at the UK consumer financial protection regulator – the Financial Conduct Authority and was seconded to the Federal Reserve Bank of New York for six months.[1] These experiences provided me with a deep institutional knowledge of household finance that informs my research. I group my research into two broad topics: (1) the economics of credit information, and (2) behavioral household finance. I now briefly summarize my research on these.

1 The Economics of Credit Information

My first research topic studies the economics of credit information. I study the role of credit bureaus as financial intermediaries and the implications for consumers of information being shared. My Job Market Paper (Guttman-Kenney and Shahidinejad, 2024) documents the fragility of information sharing showing the breakdown of information sharing in US consumer credit markets. I document a 53 percentage point decrease in credit cards sharing actual payments information with credit bureaus between 2013 and 2022, without any decrease for other credit products.

Decreased information sharing is an unintended response of credit card lenders to credit bureaus' innovation. I show the innovation uses credit card actual payments information to reveal heterogeneous credit card behaviors that predict components of profitability: spending driving interchange revenue, and revolving debt driving financing charges. The credit card lenders that stop sharing information have higher profitability and higher spending customers who are attractive targets for competitors to poach. I demonstrate the sensitivity of information sharing to innovations enabling targeting of profitable customers. I show the importance of spending as a second source of uncertainty, beyond default risk, faced by credit card lenders. Lenders aim to acquire high spending, long tenure cardholders as these are profitable. I then provide evidence of how mandating information sharing can increase competition. I do this by studying a prior case where the regulator mandated that US credit card lenders share credit card limits information. I find this policy lead to more account openings with substitution from inside to outside lenders.

My working paper (Guttman-Kenney, 2024a) researches a new form of forbearance to alleviate financial distress for consumers affected by natural disasters: "disaster flags". I find 59 million US consumers had a "disaster flag" on their credit report between 2010 and 2020. Disaster flags mask

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[1] At the Federal Reserve I designed a methodology for monitoring US household leverage and stress-testing the resilience of households to changes in house prices (Fuster et al., 2018). During the PhD, I have studied the implications of the COVID-19 pandemic to inform UK policymaking (Gathergood and Guttman-Kenney, 2021; Gathergood et al., 2021) and, in Guttman-Kenney et al. (2022), published in ***JAMA Health Forum***, I found COVID-19 did not cause a rise in medical debt that people feared may occur. See my CV for details of my household finance policy work.

adverse credit report data – separate to any changes to contract terms (e.g., adjusting payments) – with the aim of protecting credit access following disasters such as hurricanes & wildfires. Consumers with flags are ex-ante riskier, experience temporarily increases in credit scores but no improvements in credit access. I consider a counterfactual policy regime requiring all new defaults during natural disasters to be automatically masked in credit reports and find doing so would have limited predictive loss despite removing a large quantity of credit information.

My working paper (Gibbs et al., 2024) is commissioned for the ***Journal of Economic Literature***. This paper describes the economics of credit reporting data, highlights these data's uses across fields, and provides practical guidance on use. I also have work-in-progress (Cookson et al., 2024) studying the effects of additional years of credit visibility on consumers' credit access.

2 Behavioral Household Finance

My second research topic studies behavioral household finance. This strand of research focuses on understanding consumer use of unsecured debt by combining big datasets with tools from economics and psychology. My research paper on payday loans (Gathergood et al., 2019) is published in the ***Review of Financial Studies*** (a top three finance journal) and was presented at the NBER Summer Institute. This paper estimates UK payday loan use causes short-run liquidity gains but persistent costs from defaults and overdraft use. I collect data on the population of payday loan applications, link these to credit reports, and use a Regression Discontinuity Design methodology exploiting discontinuities in the probability of taking out a payday loan at credit score thresholds.

In Guttman-Kenney et al. (2023b), I published the first academic finance paper on "buy now, pay later" (BNPL). I document consumers charge BNPL installments to their credit cards.

A key part of my second research agenda is studying ways to help consumers reduce their credit card debt. Across three papers I test behaviorally-informed policies to reduce credit card debt (Adams et al., 2022; Sakaguchi et al., 2022; Guttman-Kenney et al., 2023a). The first paper from this project (Guttman-Kenney et al., 2023a) has a Revise and Resubmit from the ***American Economic Journal: Economic Policy***. This finds consumer responses to a nudge, tested in a field experiment, counteract its intended effect to reduce credit card debt. Despite the nudge causing large effects changing Autopay enrollment, the nudge does not reduce debt. This is due to offsetting consumer responses to the nudge. The second paper (Adams et al., 2022) was solicited and published in the Centenary issue of ***Economica***. This conducts field experiments on 180,000 consumers across three lenders and finds nudges are ineffective at changing consumer behaviors. The third paper (Sakaguchi et al., 2022) is published in the ***Journal of Marketing Research*** (a top three marketing journal) shows the default effects of credit card minimum payments.

The failure of disclosures and nudges to reduce credit card debt led me to a new working paper (Allen et al., 2024) studying the trade-offs of a hard paternalistic policy requiring higher credit card minimum payments in Quebec, Canada. This policy is effective at reducing debt but this comes at a cost of reduced credit access, and potentially increasing delinquency.

Finally, in work-in-progress (Guttman-Kenney, 2024b), I study the elasticity of consumer budgeting heuristics: finding when gas / petrol prices increase, the use of a heuristic round numbered amount expenditure amount (e.g., PQ = £20) declines and consumers make more trips to refuel.

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