NICOLAS CROUZET

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Department of Finance
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Employment:

2018-	Associate Professor of Finance, Kellogg School of Management, Northwestern University
2014-2018	Assistant Professor of Finance, Kellogg School of Management, Northwestern University

Education:

2014	Ph.D.	Economics	Columbia University
2010	M.A.	Economics	Columbia University
2008	B.Sc.	Applied Mathematics	École Polytechnique, France

Fields of Specialization:
Macroeconomics, Corporate Finance

Working papers:

"Understanding Weak Capital Investment: the Role of Market Concentration and Intangibles" (with Janice Eberly), September 2018. *Prepared for the 2018 Jackson Hole Symposium.*

Abstract: We document that the rise of factors such as software, intellectual property, brand, and innovative business processes, collectively known as "intangible capital", can explain much of the weakness in physical capital investment since 2000. Moreover, intangibles have distinct economic features compared to physical capital. For example, they are scalable (e.g., software) though some also have legal protections (e.g., patents or copyrights). These characteristics may have enabled the rise in industry concentration over the last two decades. Indeed, we show that the rise in intangibles is driven by industry leaders and coincides with increases in their market share and hence, rising industry concentration. Moreover, intangibles are associated with at least two drivers of rising concentration: market power and productivity gains. Productivity gains derived from intangibles are strongest in the Consumer sector, while market power derived from intangibles is strongest in the Healthcare sector. These shifts have important policy implications, since intangible capital is less interest-sensitive and less collateralizable than physical capital, potentially weakening traditional transmission mechanisms. However, these shifts also create opportunities for policy innovation around new market mechanisms for intangible capital.

"Small and Large Firms over the Business Cycle" (with Neil Mehrotra), September 2018

Abstract: This paper uses new confidential Census data to revisit the relationship between firm size, cyclicality, and financial frictions. First, we find that large firms (the top 1% by size) are less cyclically sensitive than the rest. Second, high and rising concentration implies that the higher cyclicality of the bottom 99% of firms only has a limited impact on aggregate fluctuations.

Third, differences in cyclicality are not simply explained by financial frictions, and in fact appear largely unrelated to proxies for financial strength. Industry variation instead suggests that large firms have less cyclical customer bases, in particular due to export exposure.

"On the Effects of Restricting Short-Term Investment", (with Ian Dew-Becker and Charles Nathanson), March 2018; revise and resubmit, *Review of Financial Studies.*

Abstract: We study the effects of policies proposed for addressing "short-termism" in financial markets. We examine a noisy rational expectations model in which the exposures of investors and their information about fundamentals endogenously vary across horizons. In this environment, taxing or outlawing short-term investment has zero effect on the information in prices about long-term fundamentals. However, such a policy reduces the profits and utility of short- and long-term investors. Limiting the release of short-term information helps long-term investors (an objective of some policymakers) at the expense of short-term investors, but it also makes prices less informative and increases costs of speculation.

"Default, debt maturity and investment dynamics", December 2017

Abstract: This paper studies the optimal maturity structure of debt in a standard investment model. Firms operate long-term assets, and may want to use long-term debt to reduce short-term refinancing risk. However, long-term financing may lead to debt overhang and distort investment. The maturity structure of debt should trade off these two forces. In numerical calibrations of the model, however, debt maturity is much shorter than observed among US firms. Firms shun long-term debt because debt overhang costs are large, and the benefits from long-term financing small. Potential reconciliations of the model with the data include investment irreversibility and debt covenants.

"Firm investment and the composition of debt", February 2015

Abstract: This paper analyzes optimal debt structure when firms simultaneously choose the size of the project to be financed (investment), and the composition of debt between intermediated debt (bank loans) and arm's length debt (bonds). The key distinction between the two forms of debt is that, when liquidation looms, intermediated debt is easier to restructure. Absent deadweight losses in liquidation, debt structure is irrelevant to the investment choices of the entrepreneur. With liquidation losses, I show that investment is financed by a combination of bank and market finance so long as 1) banks have higher intermediation costs than markets and 2) internal resources of entrepreneurs are sufficiently small. The share of bank finance in total investment then depends non-monotonically on internal resources: firms with very limited internal resources are increasingly reliant on bank finance to expand investment, while medium-sized firms reduce the contribution of bank finance as their internal resources increase. The model's predictions find support in cross-sectional data on the debt structure of US manufacturing firms.

Refereed publications:

"Aggregate implications of corporate debt choices", September 2017 (*Review of Economic Studies*)

Abstract: This paper studies the transmission of financial shocks in a model where corporate credit is intermediated via both banks and bond markets. In choosing between bank and bond financing, firms trade off the greater flexibility of banks in case of financial distress against the lower marginal costs of large bond issuances. I find that, in response to a contraction in bank credit supply, aggregate bond issuance in the corporate sector increases, but not enough to avoid a decline in aggregate borrowing and investment. Keeping leverage constant while retiring bank debt would expose firms to a higher risk of financial distress; they offset this by reducing total borrowing. A calibration of the model to the Great Recession indicates that this precautionary mechanism can account for one-third of the total decline in investment by firms with access to bond markets.

"What do inventories tell us about news-driven business cycles?" (with Hyunseung Oh), *Journal of Monetary Economics*, May 2016

Abstract: There is widespread disagreement over the quantitative contribution of news shocks to business-cycle fluctuations. This paper provides a simple identifying restriction, based on inventory dynamics, that tightly pins down this contribution. Structural models predict that finished-good inventories should fall when there is an increase in consumption and investment induced by news shocks. A structural VAR with these sign restrictions indicates that news shocks account for at most 20 percent of output volatility. Since inventories comove positively with consumption and investment in the data, shocks that generate negative comovement cannot account for the bulk of fluctuations.

Non-refereed publications:

"Investment, intangibles, and efficiency" (with Janice Eberly), May 2018 (*American Economic Review, Papers and Proceedings*)

Recent work on macroeconomic trends has emphasized slowing capital investment, but strong business profits and valuations. The retail sector is a microcosm of these trends, and accounts for a large share of the increase in aggregate business concentration also observed in recent years. We show that, in that sector, weak investment and rising concentration are associated with rising productivity. Additionally, stronger productivity is correlated with intangible investment, both over time and across sub-industries. Intangible investment may thus provide a joint explanation for rising productivity, weak capital investment and increasing industry concentration.

Teaching:

Spring 2015 -2018	Macroeconomic Policy and Global Capital Markets (FIN-941) Kellogg School of Management, Northwestern University

Teaching assistantships:

Spring 2013	Intermediate Macroeconomics, Columbia University (S. Schmitt-Grohé)
Fall 2012	Intermediate Macroeconomics, Columbia University (R. Reis)
Fall 2011	Macroeconomics I, Columbia University (Ph.D. core; B. Preston, S. Albanesi)
Fall 2010	Macroeconomic I, Columbia University (Ph.D. core; R. Reis, S. Schmitt-Grohé)

Research assistantships:

Spring 2011	M. Woodford

2009, 2012 J. Steinsson, E. Nakamura
Spring 2009 R. Reis

Honors and Awards:

2014-2015 Donald P. Jacobs Scholar, Kellogg School of Management
2011 Wueller Award for best graduate teaching assistant, Columbia University
2010 Harris Prize for best 2nd year paper, Columbia University
2008-Present Doctoral Fellowship, Columbia University

Conference and Seminar Presentations:

[* indicates co-author presentation]

2018-2019 NBER Capital Markets (discussant), NBER EFCE, Boston University TPRI competition conference, Banque de France, Jackson Hole Symposium, San Francisco Fed Conference on Advances in Financial Research, London Business School (Finance), Ohio State, Boston Fed, Chicago Fed, London School of Economics, IMF.

2017-2018 Red Rock Finance, Northern Finance Association (discussant), University of North Carolina at Chapel Hill, University of Pittsburgh-CMU Macro seminar, UCLA, NBER Monetary Economics meetings, Imperial College, Duke, AEA meetings, Notre Dame, University of Bonn, Chicago Booth.

2016-2017 University of Minnesota (Carlson), National University of Singapore, Philadelphia Fed Debt and Banking conference, Minneapolis Fed Bag Lunch, Kellogg Bag Lunch, Adam Smith workshop*, Midwest Finance Association (discussant), Society of Financial Studies Cavalcade, SED meetings, Federal Reserve Board, Inter-American Development Bank, Stern Microstructure Conference*, Barcelona GSE workshop, NBER Summer Institute (Capital Markets), Minnesota Macro.

2015-2016 Chicago Fed, Wharton, AFA meetings, Cambridge, SED Meetings, Kellogg Finance Bag Lunch.

2014-2015 European Central Bank, University of Maryland, Boston Macro-Finance Conference, 6th European Conference on Financial Stability, Northwestern University Junior Seminar, Federal Reserve Board, USC Marshall School of Business, Tsinghua Macro Conference.

2013-2014 Paris-Dauphine, Bank of England, CREI, UCL, Stanford GSB, Chicago Booth, Kellogg, Harvard Business School, Notre Dame, Bocconi, University of Geneva, Bank for International Settlements, EEA-ESEM meetings, Conference on Expectations in Dynamic Macroeconomic Models.

2012-2013 Midwest Macroeconomics Meetings, Society for Economic Dynamics.

Professional Activities:

Referee for *American Economic Review, Journal of Political Economy, Review of Economic Studies, Journal of Finance, Review of Financial Studies, Journal of Monetary Economics, American Economic Journal: Macro, Review of Economic Dynamics, Journal of the European Economic Association, Journal of Money, Credit and Banking*, *Journal of Banking and Finance, Review of Corporate Finance Studies.*

Personal

Citizenship: French
Language: English (Fluent), Spanish (Fluent), French (Native)

References:

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