# NICOLAS CROUZET

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**Employment**:

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

**Education**:

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| 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

**Published papers**:

"Aggregate implications of corporate debt choices", September 2017 (Forthcoming, *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.

**Working papers**:

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

Abstract: Drawing on a new, confidential Census Bureau dataset of financial statements of a representative sample of 80000 manufacturing firms from 1977 to 2014, we provide new evidence on the link between size, cyclicality, and financial frictions. First, we only find evidence of lower cyclicality among the very largest firms (the top 1% by size). Second, due to high and rising concentration of sales and investment, the lower sensitivity of the top 1% firms dominates the behavior of aggregate fluctuations. Third, we show that this differential sensitivity does not appear to be driven by financial frictions. The higher sensitivity of the bottom 99% does not disappear after controlling for measures of financial strength, is not statistically significant after identified monetary policy shocks, and does not appear in debt financing flows. Evidence from 3-digit industries suggests a non-financial explanation: the largest 1% of firms are less sensitive due to a more diversified customer base.

"Does restricting high-frequency investment affect price informativeness?" (with Ian Dew-Becker and Charles Nathanson), October 2017; revise and resubmit, *Journal of Financial Economics*

Abstract: This paper provides a simple benchmark result regarding the effects that restricting high- frequency investment may have on the information content of prices. We study a variant of the standard noisy rational expectations framework, in which both the exposures of investors, and their information about future fundamentals, endogenously vary across future dates. In this environment, precluding investors from holding portfolios with very rapidly varying exposures to fundamentals has zero effect on the information embedded in prices about lower-frequency variation in fundamentals. The result also holds, with some qualifications, when quadratic taxes on changes in investors positions are imposed.

"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.

**Non-refereed publications**:

"Investment, intangibles, and efficiency" (with Janice Eberly), January 2018 (Forthcoming, *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:**

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| Spring 2015 -2017 | Macroeconomic Policy and Global Capital Markets (FIN-941) Kellogg School of Management, Northwestern University |

**Teaching assistantships:**

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| 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:**

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|---|---|
| Spring 2011 | M. Woodford |
| 2009, 2012 | J. Steinsson, E. Nakamura |
| Spring 2009 | R. Reis |

**Honors and Awards**:

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|---|---|
| 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]

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| 2017-2018 | Red Rock Finance, Northern Finance Association (discussant), University of North Carolina at Chapel Hill, University of Pittsburgh-CMU Macro seminar, |

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| | UCLA, NBER Monetary Economics meetings, Imperial College, Duke, AEA meetings, Notre Dame, University of Bonn. |
| 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 *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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