Nathaniel Aaron Pancost

CONTACT INFORMATION

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ACADEMIC APPOINTMENTS

University of Texas at Austin, McCombs School of Business

Assistant Professor   **July 2017–Present**

EDUCATION

University of Chicago   **2016**
- PhD in Financial Economics
- Committee: Lars Peter Hansen, Steven J. Davis, Amit Seru, and Zhiguo He

University of Maryland, College Park   **2008**
- Bachelor of Arts in Economics, *magna cum laude*
- Bachelor of Science in Mathematics, *cum laude*

RESEARCH INTERESTS

Macroeconomics, Financial Frictions, Asset Pricing

WORKING PAPERS

- Measuring Measurement Error (with Garrett Schaller)

  Although instrumental variable techniques are most often applied to deal with omitted variables or simultaneity, we show that in practice they also resolve a substantial amount of attenuation bias resulting from differences between the underlying economic variables and what is measured by the econometrician. We derive simple regression specifications to quantify the extent of this measurement error, and estimate that about 40% of the variation in the average instrumented regressor is white noise in a sample of 1,481 regressions from 220 papers published in top economics and finance journals. We also estimate measurement error within individual regressors and find substantially higher values in many cases

- The Effects of Capital Requirements on Good and Bad Risk Taking (with Roberto Robatto)

  - *Revision requested by the Review of Financial Studies*

  We study optimal capital requirement regulation in a dynamic quantitative model in which nonfinancial firms, as well as households, hold deposits. Firms hold deposits for precautionary reasons and to facilitate the acquisition of production inputs. Our theoretical analysis identifies a novel general equilibrium channel that operates through firms' deposits and mitigates the cost of increasing capital requirements. We calibrate our model and find that the optimal capital requirement is 18.7% but only 13.6% in a comparable model in which only households hold deposits. Our novel channel accounts for most of the difference.

- Special Repo Rates and the Cross-Section of Bond Prices (with Stefania D'Amico)

  - *Revision requested by the Review of Finance*

  We estimate the joint term-structure of U.S. Treasury cash and repo rates using daily prices of all outstanding Treasury securities and corresponding special collateral (SC) repo rates. This allows us to derive a risk premium associated to the SC value of Treasuries and to quantitatively link this premium to various price anomalies, such as the on-the-run premium. We show that a time-varying SC risk premium explains 73–90% of the on-the-run premium and is highly correlated with other Treasury market anomalies, suggesting a commonality across these anomalies explicitly linked to the SC value of the highest-quality securities—recently-issued nominal Treasuries.

- Zero-Coupon Yields and the Cross-Section of Bond Prices.

  - *Revision requested by the Review of Asset Pricing Studies*

  I estimate a dynamic term-structure model on an unbalanced panel of Treasury coupon bonds, without relying on an interpolated zero-coupon yield curve or a selection of maturities. I show that a linearity-generating (LG) model leads to a complete separation between parameters that govern the cross-sectional and time-series moments of the model, greatly reducing the number of parameters to be searched in estimation. The traditional exponential affine model features a convexity term in coupon-bond prices that cannot be concentrated out of the cross-sectional likelihood. I estimate the LG model on a sample of over 1 million bond prices in under eight minutes; the traditional model takes about two hours. I quantify both the on-the-run premium and a "notes vs. bond" premium from 1990–2017 in a single, easy-to-estimate no-arbitrage model.

- Do Financial Factors Drive Aggregate Productivity? Evidence from Indian Manufacturing Establishments.

  Numerous countries have implemented financial reforms in the past three decades, but how these reforms affect economic growth has not been established. I develop a dynamic model with heterogeneous firms and endogenous leverage to isolate the effects of financial development on aggregate productivity growth. Financial development affects aggregate productivity by shifting the allocation of resources across firms. However, productivity growth that is common to all firms but unrelated to finance also changes the allocation of resources across firms, because firms respond to productivity growth by changing leverage. I calibrate the model to plant-level data from India and find that resource re-allocation consistent with financial development explains 2%–7% of Indian labor productivity growth from 1990 to 2011. My work suggests that factors that affect productivity within firms are more important determinants of aggregate productivity than financial development.

2020: MFA, WFA (discussant), Florida State University, Lone Star Finance Symposium, Federal Reserve Short-Term Funding Markets Conference (discussant)

2019: MFA, SFS Cavalcade, Columbia Workshop in New Empirical Finance, ESRB, Cambridge Finance Theory Symposium, Southern Economic Association

2018: AEA Annual Meeting, MFA (discussant), Bank of Canada, SED, Chicago Fed, CEBRA, EEA-ESEM, FDIC Annual Bank Research Conference, UNC Chapel Hill (Kenan-Flagler) Brownbag, SFA, Paris Financial Management, Paris December Finance meeting

2017: Penn State, University of Maryland (Smith), University of Pennsylvania (Wharton), Harvard Business School, University of Texas at Austin (McCombs), University of Michigan (Ross), Stockholm School of Economics, Northwestern (Kellogg), Columbia (GSB), MFA (discussant), Dartmouth (Tuck), NFA (discussant), Texas A&M (Mays)

2016: Macro-Financial Modeling Group, Chicago Fed, MFA, North American Summer Meeting of the Econometric Society, International Conference on Financial Development and Economic Stability

2015: Stanford University

2013: Trans-Atlantic Doctoral Conference (LBS)

Refereeing
Journal of Political Economy, Journal of Finance, Review of Financial Studies, Journal of Econometrics, Journal of Economic Behavior and Organization, Review of Asset Pricing Studies, Review of Finance

Honors and Awards
Macro Financial Modeling Fellowship, September 2015

Stevanovich Student Fellowship, June 2015

Katherine Dusak Miller PhD Fellowship, November 2014–Present

Lee Prize for Best Quantitative Methods Core Exam, University of Chicago, July 2012

National Science Foundation Graduate Research Fellow, 2011–Present

President's Award, Federal Reserve Bank of Boston, April 2009

Sujon Guha Award for Best Senior Thesis, University of Maryland, May 2008

Banneker/Key Scholarship, University of Maryland, September 2004

Languages
English (native), French (fluent), Spanish (fluent)