The first chapter (joint with Tetiana Davydiuk, and Brent Glover) studies changes in public capital markets. Since its peak in 1996, the number of publicly listed US firms has declined by approximately 50%. In addition, US publicly listed firms are now on average larger and older than they were two decades ago. We collect a set of empirical facts on the changes in the distributions as well as entry and exit rates for public and private firms. We develop a model to evaluate which of two mechanisms—an increase in the cost of being public or a shift in the supply of private firm financing—can explain the decline in US public listings and changes in the firm distribution. We calibrate the model to match the data prior to 1996 and then quantify the extent to which these two mechanisms can explain the changes observed in the data.

The second and third chapters investigate why large financially unconstrained firms delay payment to small financially constrained suppliers. The media suggests that large customers use their market power to delay payment, prompting concerns for anti-trust authorities. However, the trade credit literature criticizes this argument. Since small constrained suppliers have a high cost of capital, large unconstrained firms should be able to pay sooner and receive a price discount in excess of their own cost of capital. Accordingly, the literature argues that large customers should exert market power purely in the form of a price discount, not at all through delayed payment.

In the second chapter, I propose and test a new theory for this puzzling behavior. I conjecture that a large customer can use trade credit to reduce output market competition. In taking trade credit, large firms force suppliers to obtain costly external financing in order to continue to produce for rival customers. As a result, rivals' costs increase and output decrease. Importantly, while this theory is not the first attempt to explain why large firms delay payment, it is the first to conclude that their behavior is actually anti-competitive. To formalize this idea, I build upon buyer power models in the industrial organization literature and develop a model of a vertical supply relationship. I use the model to develop a set of testable implications regarding how financial constraints, bargaining power, and product substitutability should relate to trade credit.

In the third chapter, I empirically test the main predictions of the second chapter. To do so, I obtain a new dataset of bilateral trade credit relationships between thousands of customers and their suppliers. Using this dataset, I create measures of delinquent payment and center the empirical analysis around determinants of delinquency. I start the empirical analysis by documenting a set of facts. I show that delinquency increases with customer size and bargaining power and decreases with the supplier’s financial constraints relative to the customer’s. Additionally, the relationship between delinquency and bargaining power is stronger when product substitutability is high. Exploiting a government program that eased supplier’s financial constraints, I conduct an additional empirical exercise to test if changes in delinquency are consistent with the model’s predictions. Finding general consistency with the predictions in the second chapter, I find support for the idea that large firms use payment delays to reduce competition.