Monetary and Macroprudential Policy Complementarities

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Banking Supervision, Monetary Policy and Risk-Taking

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Big Picture

- A Herculean data effort
  - 15 credit registers + bank bs + firm bs + MP/MAP measures +...
  - *bank*×*borrower*×*time* unit of observation
  - close to universal coverage
- More dimensions in data → more/better answers to big questions
  - more outcomes to analyze → more answers
  - more groups to compare → better answers
- Especially important now
  - central banks use more tools → harder to find "unaffected"
  - that become more complex → affect more outcomes

These Papers

- MP easing leads to more loans → credit channel
- More loans by whom? To whom exactly?
  - by weaker banks → bank lending channel
  - to more risky borrowers → risk-taking channel
    - that are also more productive → excessive risk
- Who gives out which loans?
  - larger/weaker banks give loans to riskier borrowers → risk distribution
- How other policies change the effects of MP?
  - stricter bank supervision reduces risk-taking
  - sticter MAP reduce most of the effects

Even More Dimensions

- Network effects
  - stricter bank supervision applies only to some countries and banks
  - coverage of most countries/banks $\rightarrow$ evidence of supervision avoidance
- Identification of MP shocks
  - high-frequency
  - variation within union/country $\rightarrow$ deviation of i from desired level
    - unexpected shock in a different region $\rightarrow$ unexpected change in i
    - other regions are systematically different $\rightarrow$ variation in "Taylor rule"
- Panel on productivity
  - estimation based on inputs and sectoral shares
    - under misallocation, better access to credit shows up as productivity
  - time variation $\rightarrow$ productivity growth (without constant distortions)

Summary

- Ambitious research agenda!
- Likely to become the “workhorse” approach
- Could be strenthened if replace standards tools by leveraging data