The poor, the rich, and the credit channel of monetary policy

by M. Delis, A. Ferrando, K. Mulier, and S. Ongena

Discussion by Efi Adamopoulou
ZEW and University of Mannheim

1st Banca d'Italia Annual Research Conference on Monetary Policy

Rome, June 12-13 2025

The paper in a nutshell

- **One reminder**
  - The **risk-taking** channel of monetary policy exists.

The paper in a nutshell

- **One reminder**
  - The **risk-taking** channel of monetary policy exists.
- **One critique**
  - Existing literature emphasizes the **salary income** channel, overlooking the role of **business profits** in driving inequality among **higher-income** groups.

The paper in a nutshell

- **One reminder**
  - The **risk-taking** channel of monetary policy exists.
- **One critique**
  - Existing literature emphasizes the **salary income** channel, overlooking the role of **business profits** in driving inequality among **higher-income** groups.
- **One main empirical strategy**
  - Sharp RDD around the **credit score cutoff** of loan applicants.

The paper in a nutshell

- **One reminder**
  - The **risk-taking** channel of monetary policy exists.
- **One critique**
  - Existing literature emphasizes the **salary income** channel, overlooking the role of **business profits** in driving inequality among **higher-income** groups.
- **One main empirical strategy**
  - Sharp RDD around the **credit score cutoff** of loan applicants.
- **One main result**
  - Private wealth acts as **(implicit) collateral**. Expansionary monetary policy increases loan approval rates **for less wealthy entrepreneurs**.

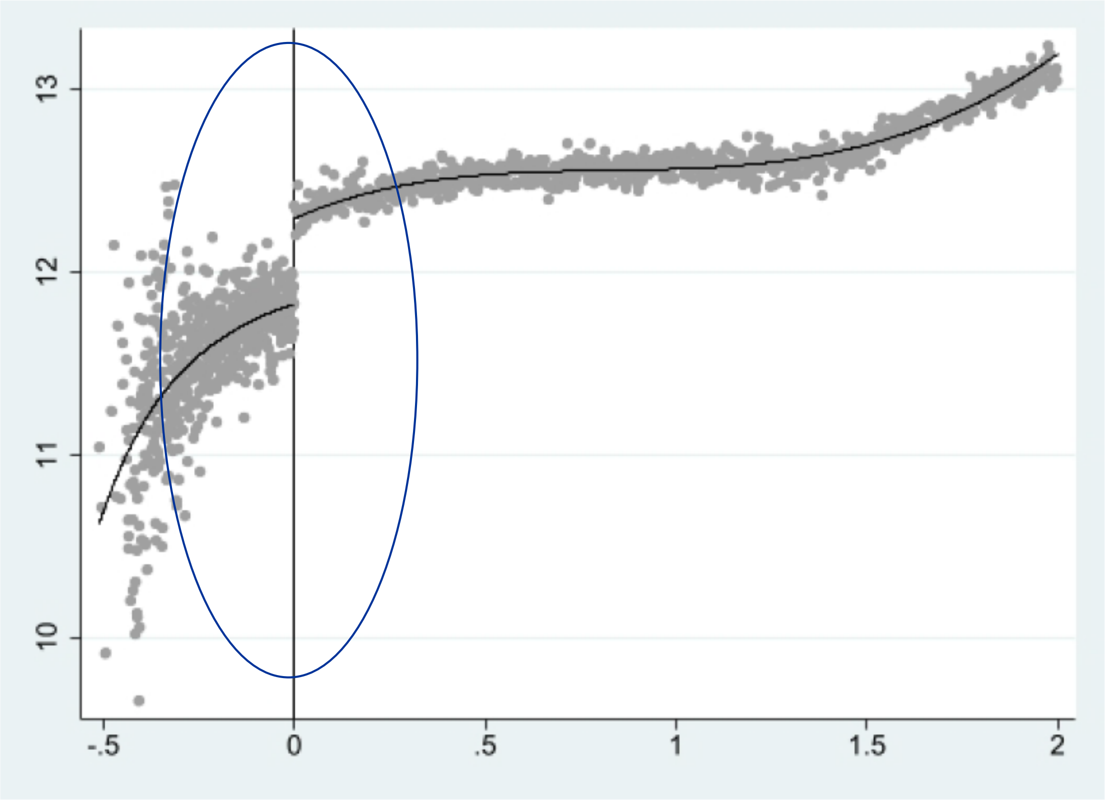
The paper in a nutshell

- **One reminder**
  - The **risk-taking** channel of monetary policy exists.
- **One critique**
  - Existing literature emphasizes the **salary income** channel, overlooking the role of **business profits** in driving inequality among **higher-income** groups.
- **One main empirical strategy**
  - Sharp RDD around the **credit score cutoff** of loan applicants.
- **One main result**
  - Private wealth acts as **(implicit) collateral**. Expansionary monetary policy increases loan approval rates **for less wealthy entrepreneurs**.
- **One macro implication**
  - Monetary policy easing boosts **future income** of **less wealthy entrepreneurs**, thus **reducing wealth inequality**.

Overall impression

- Nice paper on a policy-relevant topic.
- Plausible identification strategy.
- Well written paper, enjoyable to read.

Comments on the identification: Balancing 1/2



This Figure shows the effect of the bank's decision to grant the loan (credit score above the 0 cutoff) on the loan applicant's wealth 3 years onward. The figure displays one single cutoff point and a clear discontinuity on the cutoff.

- How similar are groups below and above the credit score cutoff (window -0.3 to 0.3)?

Comments on the identification: Balancing 1/2

	Mean	St. dev.	Min.	Max.	Mean diff.	Std. error
Apply	0.26	0.44	0	1	0.007	0.014
Granted	0.66	0.27	0	1	1	0
Shadow rate	-0.19	3.28	-6.40	4.28	0.017	0.016
Monetary policy shock	0.02	2.31	-7.10	4.74	0.004	0.008
Wealth	11.50	0.60	7.21	13.97	0.020	0.026
Income	10.69	0.30	9.73	11.49	0.027	0.026
Education	2.13	0.99	0	5	0.033	0.021
Age	44.80	15.86	20	76	0.238	0.252
Dependents	1.86	1.47	0	6	0.004	0.036
Gender	0.81	0.39	0	1	0.009	0.006
Firm size	12.72	0.40	9.96	14.09	0.011	0.007
Firm leverage	0.20	0.03	0.15	0.74	0.002	0.002
Firm ROA	0.06	0.09	-0.40	0.49	0.005	0.020
Firm cash holdings	0.07	0.03	0.01	0.16	0.000	0.001
Number of applications	7.22	1.48	1	9	0.091	0.070
Credit score	0.06	0.16	-0.30	0.30	0.300***	0.002
Default	0.04	0.11	0	1	0.000	0.003
Δ Wealth	0.02	0.57	-1.89	2.22	0.001	0.007
Δ Income	0.02	0.44	-1.26	1.32	0.001	0.006
Δ Firm size	0.01	0.41	-1.27	1.14	0.003	0.006
Δ Firm leverage	0.00	0.08	-0.08	0.11	0.000	0.002
Δ Firm ROA	0.00	0.14	-0.19	0.24	0.003	0.011
Δ Firm cash holdings	0.00	0.01	-0.13	0.1	0.000	0.001

- **No differences** in the **observed** applicant and firm **characteristics** between the groups below and above the cutoff.

Comments on the identification: Balancing 1/2

- Different loan approval rates due to **soft** information?

Differences in two key observed characteristics not reported

Comments on the identification: Balancing 1/2

- Different loan approval rates due to **soft** information?

Differences in two key observed characteristics not reported

1. **Firm age** (absence of financial records in early-stage firms)
   - Hochmuth (2025). Financial Constraints, Firm Age, and the Labor Market, *WP*.

Comments on the identification: Balancing 1/2

- Different loan approval rates due to **soft** information?

Differences in two key observed characteristics not reported

1. **Firm age** (absence of financial records in early-stage firms)
   - Hochmuth (2025). Financial Constraints, Firm Age, and the Labor Market, *WP*.
2. **Sector** of activity (wealth may be misreported in some sectors)
   - Artavanis, Morse, Tsoutsoura (2016). Measuring Income Tax Evasion Using Bank Credit: Evidence from Greece, *Quarterly Journal of Economics*.

Comments on the identification: Exclusion restriction 2/2

- **Gender** is used as an instrument to address self-selection into loan application.
- Exclusion restriction: gender affects **application probability** but **not loan origination or terms** in the countries under consideration (AT, BE, DK, FR, DE, and NL- Delis et al., 2022).

- Alesina, Lotti and Mistrulli (2013). Do Women Pay More for Credit? Evidence from Italy, *Journal of the European Economic Association*.
  - Women in IT pay more for credit than men, despite similar risk and borrower characteristics
- Worth studying **cross-country heterogeneity.**

Comments on the macro implications: overall inequality+generalizability

- **SMEs** make up about **99%** of all firms in AT, BE, DK, FR, DE, NL. **Large firms** although few in number, they account for over **one-third of employment** (Source: Eurostat)
- SMEs heavily depend on **bank loans** as their primary source of external finance. Large firms often have access to **capital markets** (bonds, equity).

Comments on the macro implications: overall inequality+generalizability

- **SMEs** make up about **99%** of all firms in AT, BE, DK, FR, DE, NL. **Large firms** although few in number, they account for over **one-third of employment** (Source: Eurostat)
- SMEs heavily depend on **bank loans** as their primary source of external finance. Large firms often have access to **capital markets** (bonds, equity).
- Findings are relevant for some EU countries, but **transferability to market-based economies (US) or economies where large firms are also loan-dependent (Italy)** may be limited.
- Adamopoulou, De Philippis, Sette, Viviano (2023). The Long-Term Earnings Effects of a Credit Market Disruption, *WP*
  - Credit shocks in Italy affect more capital-intensive firms and their workers.

Minor Comments

- The paper is somewhat long (30 pages of text) and presents many results (16 tables).
- The second identification strategy using SAFE data is less plausible due to the **lack of credit score information**
  - It mainly serves as a robustness check and could be moved to the Appendix.
  - The authors find that SMEs' private wealth matters more for banks with lower liquidity and capital, which is interpreted as supply-side channel. However, this could also reflect **assortative matching** between firms and banks.