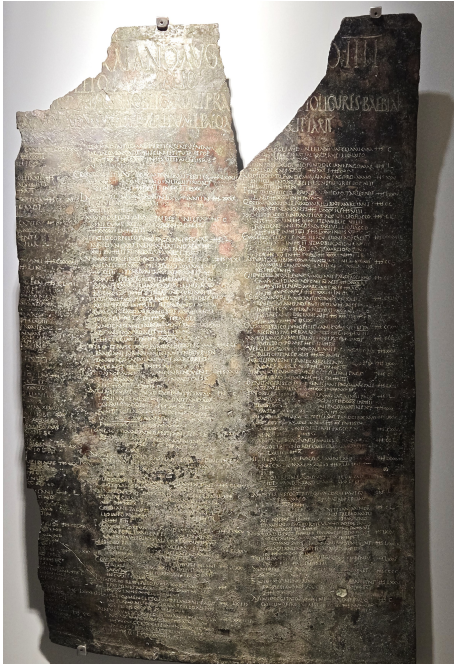


CHAMP DISCUSSION: MONETARY POLICY TRANSMISSION  
TO FIRMS AND HOUSEHOLDS

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# GRANULAR DATA IN ECONOMIC POLICY



## The *Tabula* of the *Ligures Baebiani*

Bronze slab coming from the city of the *Ligures Baebiani*, near Benevento, probably affixed in the local *forum*. The document contains a list of non repayable loans granted to landowners in the area and secured by mortgages on land value, in return of which the owners paid an annual interest of 5%. The capital resulting from such interest was destined to the maintenance of children of poor families in the area as a measure to increase the population. It was established by Trajan with the name of *institutio alimentaria* and was widely applied to the territory of Italy. For each loan, the owner's name, the name of the fund which guarantees the mortgage, its identification through the adjacent estates, the value of the property, the loan and the interest to be paid are reported.

# MODERN GRANULAR CREDIT DATA

- Anacredit: “a dataset containing detailed information on individual bank loans in the euro area, harmonised across all Member States.”
  
- Household registries: “information from nine European credit registries on households.”

# EXISTING NK CHANNELS OF MONETARY POLICY

## ① Interest rate channel:

- ▶ Household consumption via intertemporal elasticity of substitution.
- ▶ Firm investment via user cost of capital.

## ② Aggregate demand channel:

- ▶ Spending $\uparrow \Rightarrow$  income $\uparrow \Rightarrow$  spending $\uparrow \dots$
- ▶ Depends on MPCs, MPIs.

Key assumption: single short-run, risk-free interest rate + expectations hypothesis of term structure.

## ENRICHING THE FRAMEWORK

- Starting point: different firms, households face different interest rates.
- That's not enough: single SDF can price heterogeneity in risk without financial frictions or affecting welfare theorems.
- Key additional feature: financial institutions set interest rates, with limited information and moral hazard everywhere.

## ADDITIONAL CHANNELS

- 1 Bank lending channel.
- 2 Bank balance sheet channel.
- 3 Deposit channel.
- 4 Mortgage refinancing channel.
- 5 Climate risk-taking channel.
- 6 Household debt channel.
- 7 House price channel.
- 8 Insurance-supply channel.
- 9 Employment channel.
- 10 Heterogeneous bank credit channel.
- 11 Borrower balance sheet channel.
- 12 Expectations channel.
- 13 Collateral channel.
- 14 Floating-rate cash-flow channel.
- 15 Credit line capacity channel.
- 16 Owner wealth channel.
- 17 Risk-taking channel.
- 18 Cost channel.
- 19 Reserve-availability channel.

## SOME QUESTIONS ABOUT IMPLICATIONS

- ① Is harmonization of lending framework ("contractual, legal, financial") good or bad?
- ② Are heterogeneous effects of monetary policy across countries (due to financial systems) good or bad?
- ③ Are insurers net short or long duration?

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- 1 Is harmonization of lending framework ("contractual, legal, financial") good or bad?
  - ▶ Depends on reason for heterogeneity (single SDF?).
  - ▶ Analogy to banning payday loans.
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- 3 Are insurers net short or long duration?
  - ▶ Can't dislike both low and high rates.

## CAUTION FOR POLICY

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- What if most-exposed borrowers are riskiest, lowest marginal value?

## NEXT STEPS: THEORY

- I tell Harvard Ph.D students: financial contracting much more complicated in real world than in our theories.
- ChaMP effort shows this in many dimensions — not only relevant for monetary policy!
- Easiest, most robust place to start: fixed versus floating rate business loans and household mortgages, focus on positive implications.
- Much harder: endogenize loan contracts.

## NEXT STEPS: DATA

- Loan covenants!
- Should be part of Anacredit.
- Can't fully assess bank exposure to credit risk or interest rate transmission without non-pricing features.
- Crucial transmission of banks to borrowers in GFC (Chodorow-Reich and Falato, 2022).
- Illustrative e.g.: good or bad to cut off firms that violate covenants?

# SUMMARY

- Amazing data collection effort and set of results.
- Starts to uncover rich heterogeneity in monetary transmission.
- Closer to policy-ready for some positive implications.
- Will need theory to integrate normative implications.