

Discussion of:
**Identifying the Macroeconomic Effects of Bank
Lending Supply Shocks**
Basset, Chosak, Driscoll, Zakrajsek

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Disclaimer

- My views, not those of Federal Reserve Bank of Cleveland or Board of Governors of the Federal Reserve System.



Paper highlights

- Individual Bank SLOOS responses
- Match with bank specific data
 - Real Panel data!

- Put shocks into VAR-X for macro effects

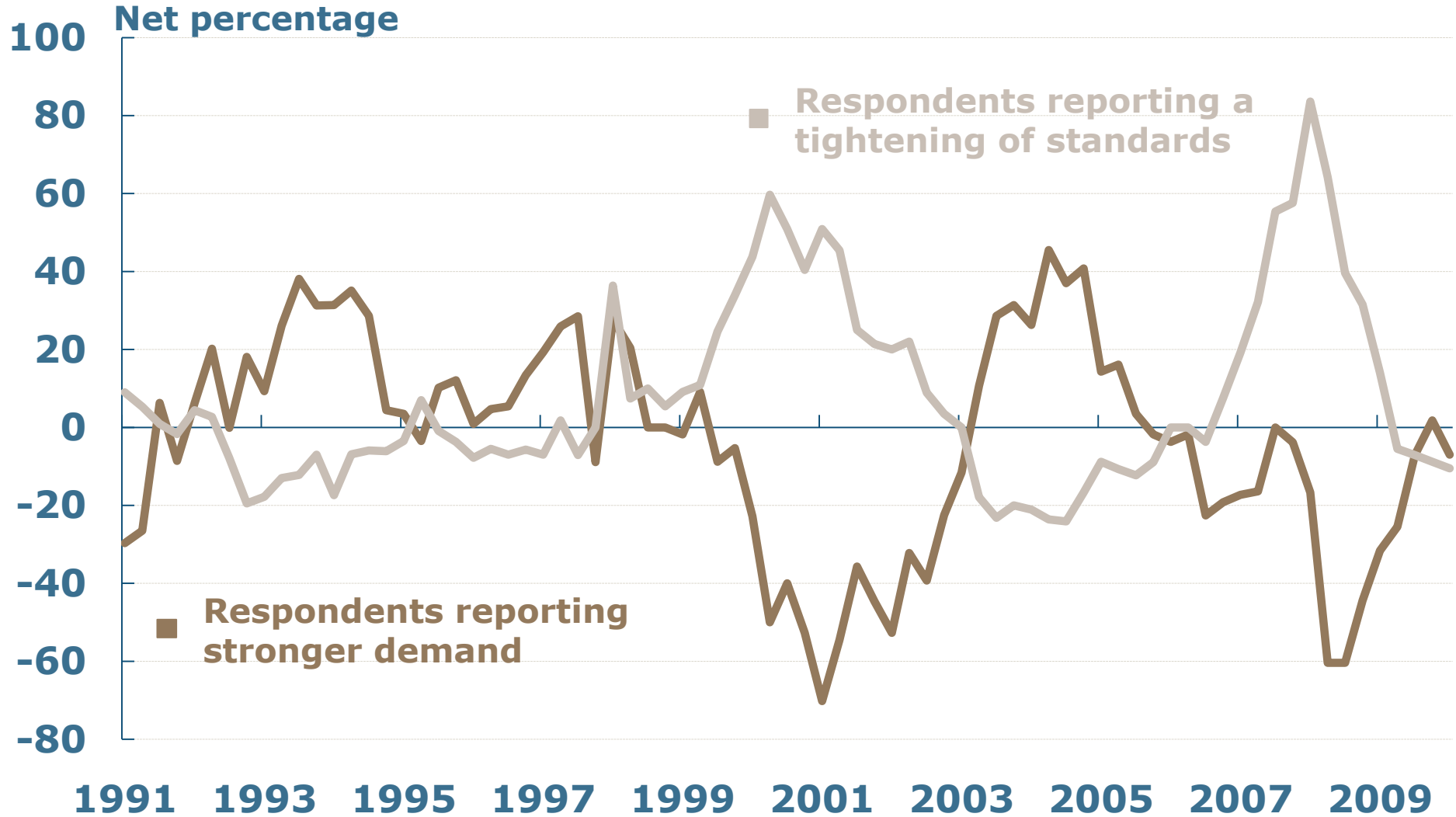
Some context

- Quantities don't work in credit view
 - Ramey 1993
- Use spreads
 - Bernanke Gertler and Gilchrist (1999)
- In VAR-X
 - Lending shocks matter
 - Does Quantity? Spread?

Some criticisms

- Is Average of residuals best way to get aggregate shock?
 - Composition effects?
- Only two recessions
- “large and middle market firms,” “small firms” or both?

Senior Loan Officer Survey: Supply and Demand of C&I Loans to Domestic Medium and Large Firms

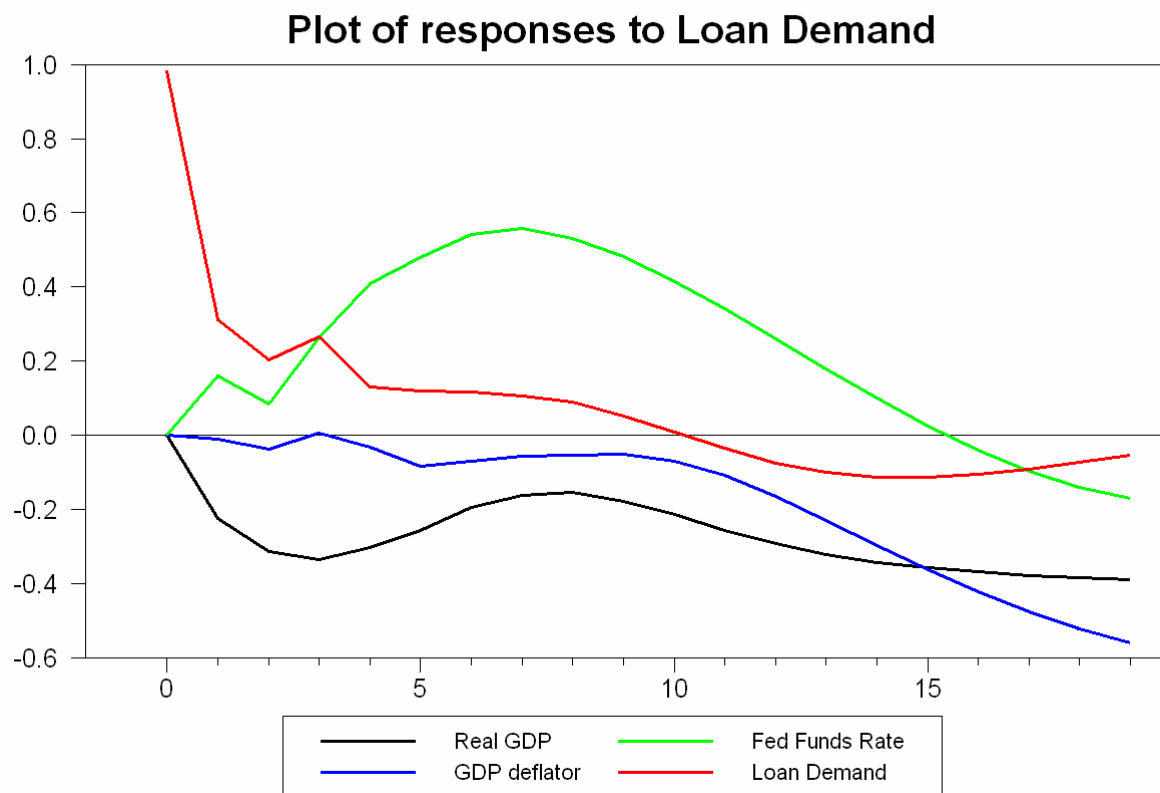


FEDERAL RESERVE BANK
of CLEVELAND

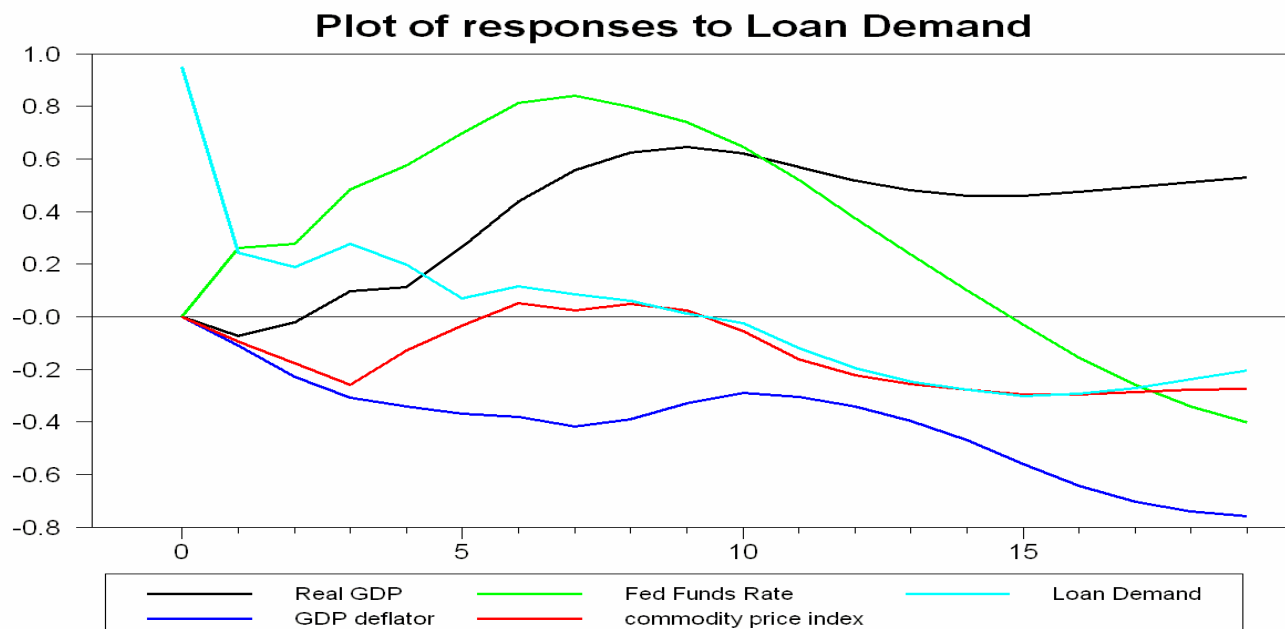
Some more criticisms

- VAR slightly non-standard
- Usually include commodity prices
 - To remove price paradox
- Any effect?
- ?

What's in the VAR can matter, 1



What's in the VAR can matter 2



Alternative approaches

- Asea and Blomberg (1998)
 - Standards on 2 million individual loans
 - From STBL
- Regime switching, Simultaneous equation with unemployment
 - Identify via lags
- Asymmetric effect:
 - Easy lending in good times

Future work? Can this data identify sources of exogenous lending shocks?

- Azariadis & Smith (1998): multiple equilibria
- Berger & Udell (1994): regulatory changes
- Rajan (1994): reputation competition
- Gorton & He (2008): collusion breakdown

A philosophical conclusion

- Identify shocks
- But also find transmission channels