Discussion of Mueller & Verner (2021)

Pascal Paul

Federal Reserve Bank of San Francisco[1]

[1] The views expressed herein are solely mine and do not necessarily reflect the ones of the Federal Reserve Bank of San Francisco or the Federal Reserve System.

128 Pages in one slide!

- Unprecedented data collection: sectoral credit series for 116 countries since WWII → Public good for the profession !
- Key findings:
  - Increases in household and non-tradable corporate credit predict
    - (1) lower GDP growth
    - (2) financial crises
  - ... but that's not the case for tradable corporate credit

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Comments

The solution to a puzzle?

- Crises prediction based on the dataset by JST (2016)

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$\Delta^4 log(Credit^F)_{t-1}$	0.81^{***}	
$\Delta^4 log(Credit^{HH})_{t-1}$	-0.25	
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N	972	1661

- What explains the difference?
  - Tradable vs. nontradable distinction
  - Longer sample (pre-WWII)
  - Advanced economies only

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Three (constructive) suggestions

1. What triggers a credit boom?
   - key puzzle in the literature; data set helpful?
2. Do the same patterns hold for the severity of crises?
   - local projections in the style of Jorda et al. (2013)
3. Consider international spillovers
   - tradable credit booms $\rightarrow$ consumption booms elsewhere?

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   - regression setup:
     - timing dependent variable
     - lagged controls for regressors
     - joint controls
2. Effects on welfare unclear
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   - tighter financial constraints $\rightarrow$ high productivity growth

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