

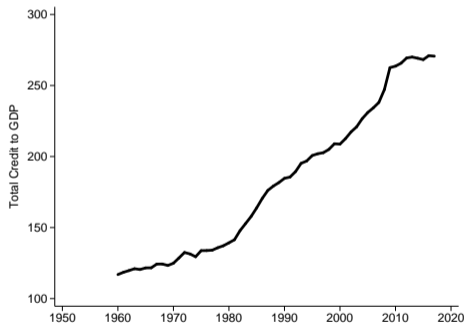
# Macro-Finance in the Long-Run

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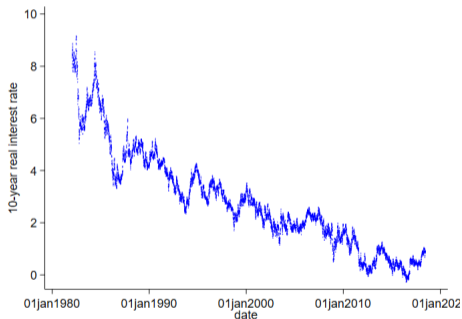
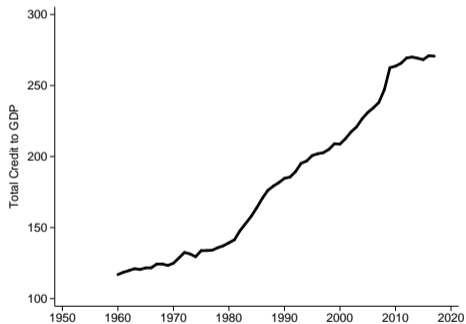
San Francisco Fed

September 26, 2019

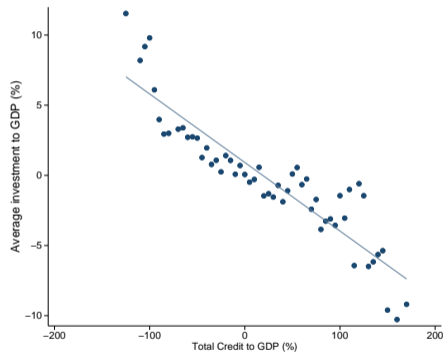
- Huge rise in quantity and large fall in price of credit since about 1980. Why did this happen? What are its consequences?



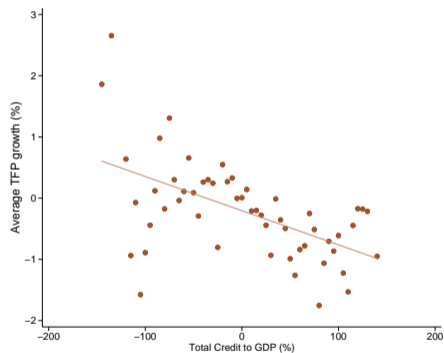
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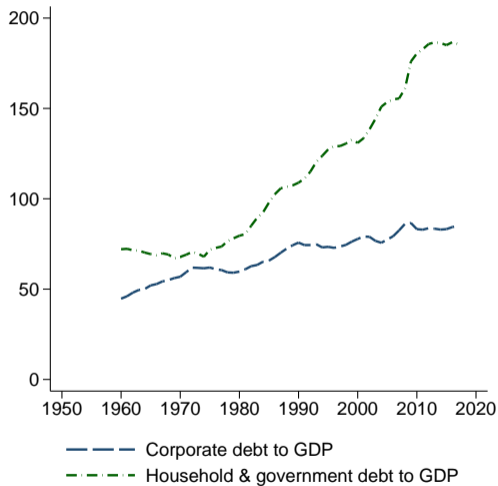
- Is credit financing the supply-side of the economy?



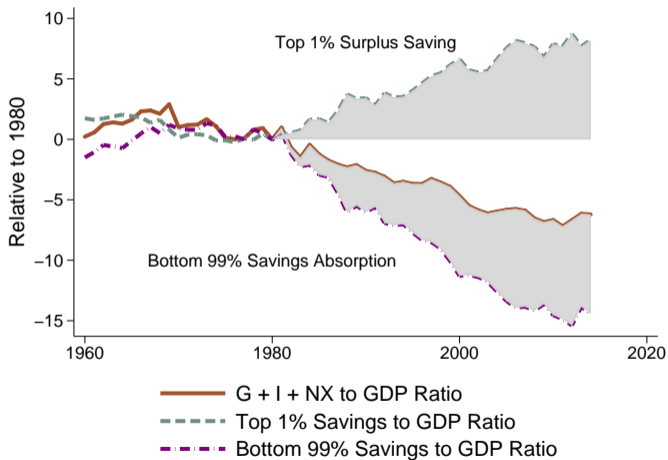
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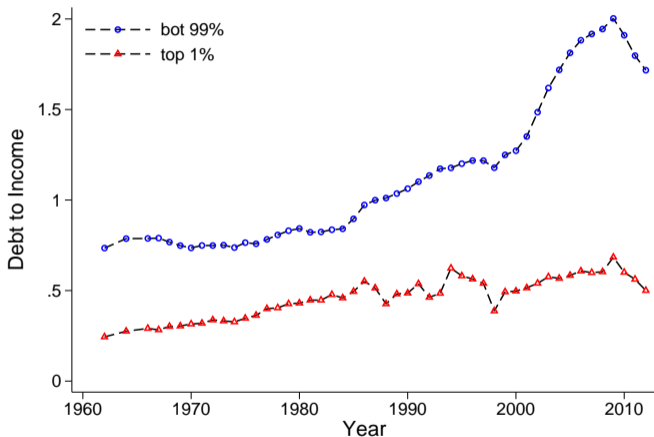
- Is credit financing the demand-side of the economy?



- Where is long-run credit expansion coming from?



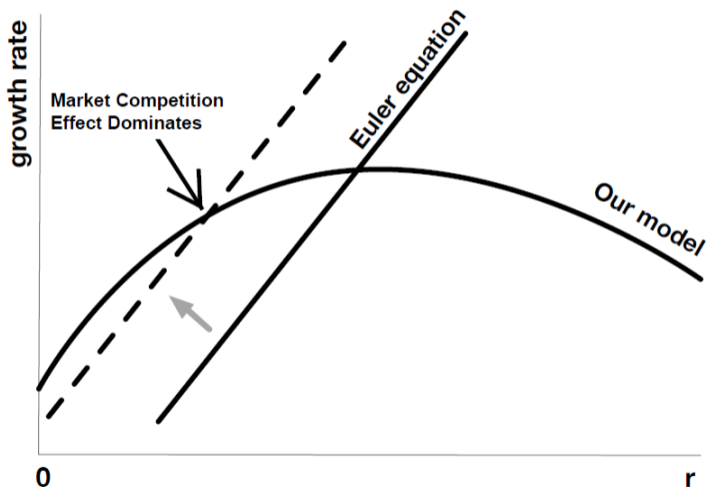
- Where is long-run credit expansion coming from?



Source: Mian and Sufi (WP, 2018).



- What are the consequences of long-run credit expansion?

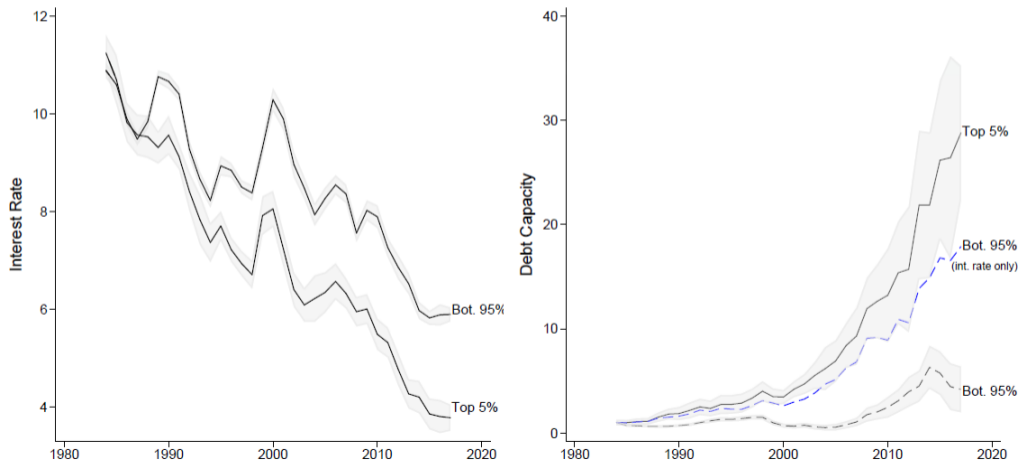


- What are the consequences of long-run credit expansion?

	Portfolio		
	(1)	(2)	(3)
$\Delta i_t$	-1.150*** (0.309)	-3.819*** (0.641)	-3.515*** (0.591)
$i_{t-1}$		0.0842 (0.050)	
$\Delta i_t \times i_{t-1}$		0.294*** (0.059)	
real $i_{t-1}$ (Clev)			0.179* (0.079)
$\Delta i_t \times$ real $i_{t-1}$ (Clev)			0.535*** (0.120)

- What are the consequences of long-run credit expansion?

Figure 8: Interest rate and debt capacity for industry leaders and followers



- What are the consequences of long-run credit expansion?

- Equitable and balanced growth is extremely important - finance can no longer be the “shock absorber” due to liquidity traps and other maleffects of very low interest rates and high debt.
- Financial design matters as distribution matters. So need more risk-sharing across households.
- Wealth tax

## Notes

1. Adelino et al. (2014), Demyanyk and Van Hemert (2011), Favara and Imbs (2015), Justiniano et al. (2015, 2017), Keys et al. (2010), Levitin and Wachter (2012), Mian and Sufi (2009, 2017)
2. Andersen et al. (2014), Bahadir and Gumus (2016), Bunn and Rostom (2015), Drehmann et al. (2017), Giroud and Mueller (2017), Glick and Lansing (2010), IMF (2012, 2017), Di Maggio and Kermani (2017), Martin and Philippon (2014), Mian and Sufi (2010, 2011, 2014), Mian et al. (2013, 2017a,b), Verner and Gyongyosi (2017)
3. Eggertsson and Krugman (2012), Farhi and Werning (2015), Guerrieri and Lorenzoni (2017), Huo and Ríos-Rull (2016), Korinek and Simsek (2016), Lorenzoni (2008), Schmitt-Grohé and Uribe (2016)

## Notes

4. Agarwal et al. (2017, 2018), Aladangady (2014), Baker (2018), Cloyne et al. (2017), Di Maggio et al. (2017), Ganong and Noel (2017a,b), Jordà et al. (2014), Liu et al. (2019), Mian and Sufi (2018b, Forthcoming)
5. Mian et al. (2017b), Baron and Xiong (2016)
6. Baron and Xiong (2016), Bordalo et al. (2017), Burnside et al. (2017), Geanakoplos (2010), Gennaioli et al. (2012), Kindleberger (1978), Kindleberger and Aliber (2005), Krishnamurthy and Muir (2016), López-Salido et al. (2017), Mian and Sufi (2018a), Minsky (2008), Nathanson and Zwick (2017)
7. Favilukis et al. (2012), Jordà et al. (2016), Kumhof et al. (2015)
8. Agarwal et al. (2018), Aladangady (2014), Cloyne et al. (2017), Di Maggio et al. (2017), Jordà et al. (2014, 2013), Ganong and Noel (2017b), Mian and Sufi (2015)

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