Discussant: Impact of Bank Regulation on Lending and Growth

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Why do we care?

- Banks are financial intermediaries
- Efficiently linking capital to borrowers encourages economic growth
- Regulations impacting bank lending, therefore, can also impact economic growth
- The broad context for these papers, then, is to examine if/how bank regulations impact the economy.

Bail-ins vs Bail-outs (Silva et al)

Summary: Provides empirical evidence of the impacts of a bail-in on lending and growth.

Key Finding: Identifies economic impacts of bail-ins – declines in firm investment and employment

Comments/Questions:

- Taxpayers vs. Industry
- U.S. Context
  - Is bail-in the final piece of TBTF?
  - How to implement?

Impacts of Dodd-Frank (Bordo et al)

Summary: Dodd-Frank Act impacted bank regulatory costs and, in turn, reduced lending to small businesses.

Key Findings: Reduced loan sizes (<$1 million), particularly at smaller banks (<$300 million assets).

Comments/Questions:

- Would the findings look different if this was the result of banks responding to the crisis?

Takeaways

- Regulatory impacts to lending and growth
  - Both political and economic impacts
  - Enforcement by Regulation vs Market?
- Increasing systemic risk?
  - Rise of alternative sources of finance existing outside many of the regulatory mechanisms designed to mitigate
- Impacts on inequality
  - If regulations discourage lending to riskier segments, does that further inequality?

Contact

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