Comments on Popov and Udell

Cross-Border Banking and the International Transmission of Financial Distress during the Crisis of 2007-2008

Conference of Global Dimensions of the Financial Crisis
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Outline

- Some general praise

- Questions about the results

- Suggestions/Open issues

Strengths of the paper

- Amazing amount of work
  - e.g Appendix 2!

- Interesting question <u>that we care about </u>with novel data and new technique

- New findings and strong claims about the interpretation (which I am inclined to believe).

Some Questions

1. Tell us more about the exclusion restrictions governing the selection equation.
   - Why do age and competitive environment affect credit demand but not be constrained?
2. Tell us more about your theory of why foreign banks locate in different municipalities?
3. I am confused about exporters and the associated story
   - Table 7 vs. 11, plus general results from other papers (e.g. Amiti and Weinstein)
4. Can you help us more on the magnitudes? How about some back of the envelope calculations on total loan effects….

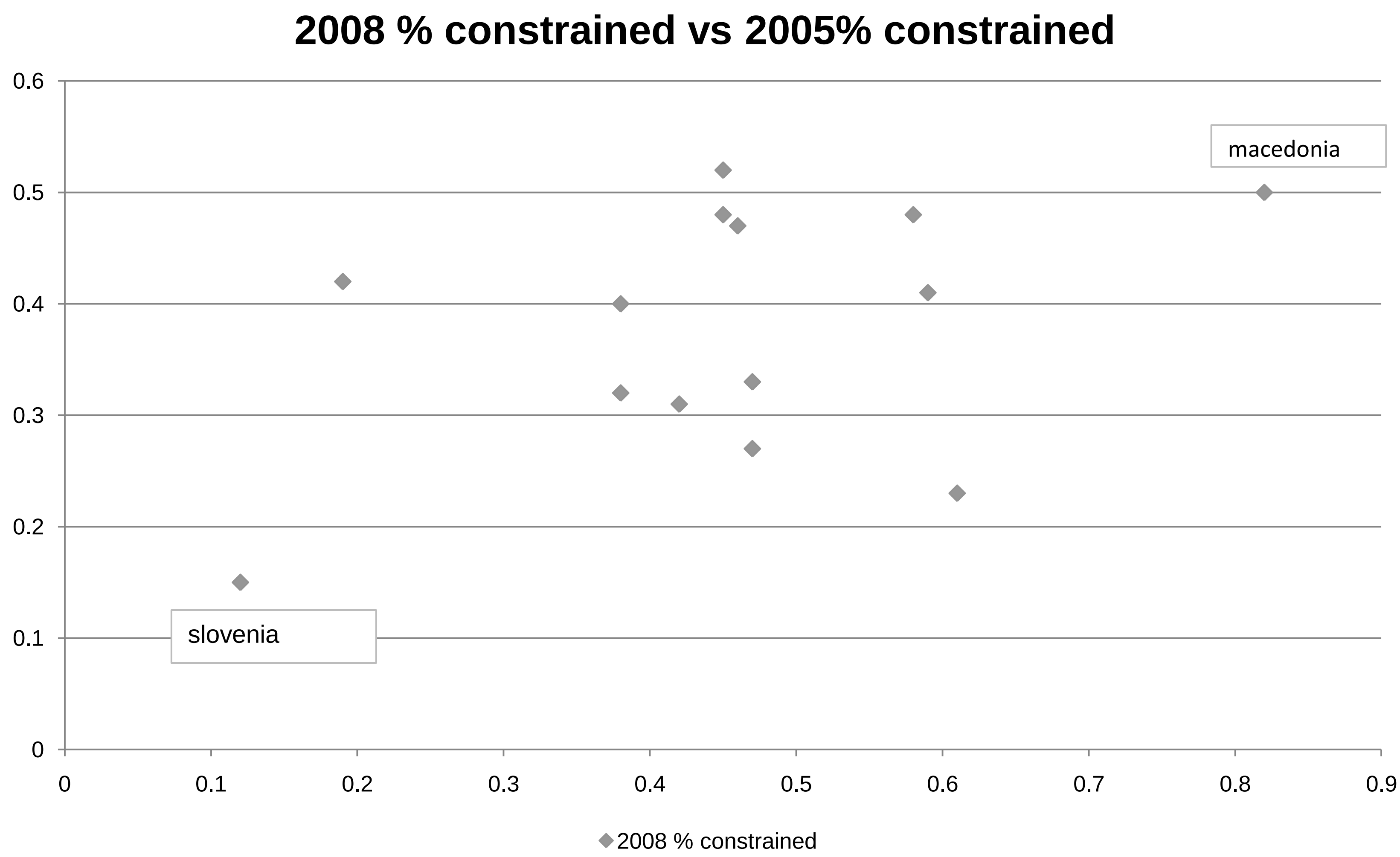
Suggestions/open issues

1. What is the counter-factual? Are they worse off for having had foreign banks present?
   - Efficient risk sharing?

2. Time series pattern in rationing!

3. How about doing a Rajan-Zingales macro calculation on industries to see what we find?

Graph of Table 3



Final thoughts

- Holy grail seems to be about magnitudes and not just rejecting the null hypothesis of no effect.

- Do we think these effects only operate through capital shocks or does monetary policy shift loan supply too?

- Would be great to push for getting loan supply into DSGE models….