

# **Discussion on**

# "Diverging Banking Sector: New Facts and Macro Implications"

## by Kundu, Muir, and Zhang

Yao Zeng, Wharton and NBER

#### Why is this an important and interesting paper



## Why is this an important and interesting paper



Expect many citations for this graph along

- What predicts this group?
- 1. Small versus large banks?
- 2. Online versus branching banks?
- 3. Savings versus payment banks?
- Important to understand the drivers

## Why is this an important and interesting paper



Expect many citations for this graph along

- What divergence?
- 1. Rates?
- 2. Rate passthrough?
- 3. Deposit beta?
- Important to understand the consequences

#### Lots of food for thoughts

#### Congrats to Shohini, Tyler, and Jinyuan

- Important topic, extremely rich facts, insightful analysis
- I predict a wave of follow-up papers in a number of literatures

Discussion today focuses on three aspects, one for this paper, and two for perhaps next

- Benchmark the divergence
- Explore alternative drivers of divergence
- Explore the role of bank (or broader intermediary) heterogeneity in other macro contexts

## The "term structure" of divergence

#### Divergence in the yield curve?

#### Recall from Fact 1 that high-rate banks paid roughly 2% on 1-year CDs in late 2018. But:



• Is there a "term structure" of divergence (with some caveats)

#### Divergence, divergence, divergence...

Will a de-branching story also explain this term structure of divergence?

• Fact 2: Roughly 2/3 of the branching decline has happened before the 2016-2019 hike cycle



#### Alternative sources of divergence

#### Payments or savings bank?

Marcus: by Goldman Sachs

Savings  $\checkmark$  CDs  $\checkmark$  Cre

Credit Cards  $\checkmark$  Tools & Resources  $\checkmark$ 

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DIC FDIC-Insured – Backed by the full faith and credit of the U.S. Government. Goldman Sachs Bank USA, Salt Lake City Branch. Goldman's Marcus, the post-child of highrate banks, doesn't offer checking accounts or broad payment services

- Again, recall this is Goldman Sachs Bank USA, Salt Lake City, but not the famous investment bank in New York
- True for many other high-rate banks

#### Payments or savings bank?

Just happened yesterday...

## **Big Banks Explore Venturing Into Crypto World Together With Joint Stablecoin**

The discussions involve payments companies co-owned by JPMorgan Chase, other large banks "The nation's biggest banks are exploring whether to team up to issue a joint stablecoin. [...] The conversations have so far involved [...] JPMorgan Chase, Bank of America, Citigroup; Wells Fargo WFC, and other large commercial banks."

By Gina Heeb Follow and Justin Baer Follow Updated May 22, 2025 11:16 pm ET

Remark: stablecoins don't pay interest rates at all (see Ma, Zeng, and Zhang 2025)

#### Payments or savings bank?

Goldstein, Yang, and Zeng (2023): conflict between means of payment and store of value

- Key: higher interest rate hurts money's appeal as a means of payment
- Higher *r* doesn't make deposits more appealing in a payment bank, why bother
- Consistent with Drechsler, Savov, and Schnabl that deposits accept low *r* for services

A natural test: do your high-rate (low-rate) banks provide less (more) payment service?

Important implications given the rise of better and faster payment technologies

• With both public and private provisions

#### Bank + HANK?

#### Huge potential in studying bank heterogeneity in macro contexts

#### The rise of the HANK literature

• If you ask me for one, I'd suggest Kaplan and Violante (2014); it has some banking flavor!

#### A trade-off: HANK versus TANK

• Kundu, Muir, and Zhang (2025)'s divergence results offers a nice angle on the "T" part

I'm not suggesting a quick dive into NK models, but rather identifying the macro questions first

Good luck to the authors, and everyone!