Borrower-based macroprudential measures

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How to think about borrower-based macroprudential regulation?

The objective is **the economy**, GDP, unemployment, hysteresis etc.
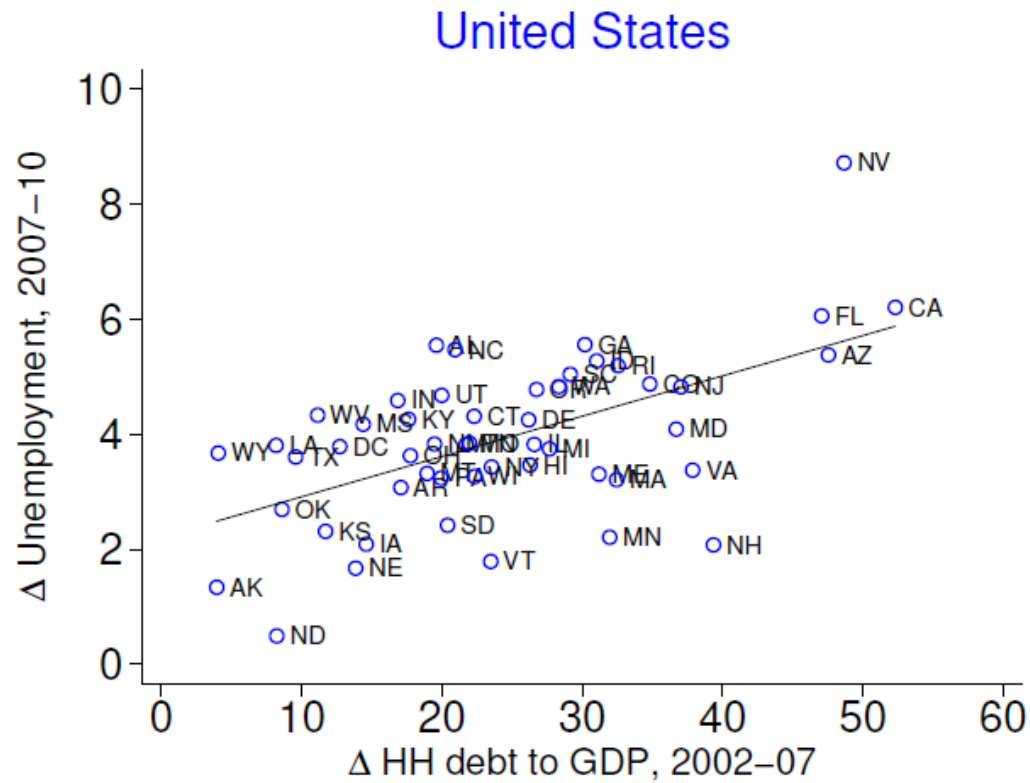
Two horizons to think about:

1. Cyclical
    *   It is about **risk-sharing**, not a narrower vision of protecting bank balance-sheet
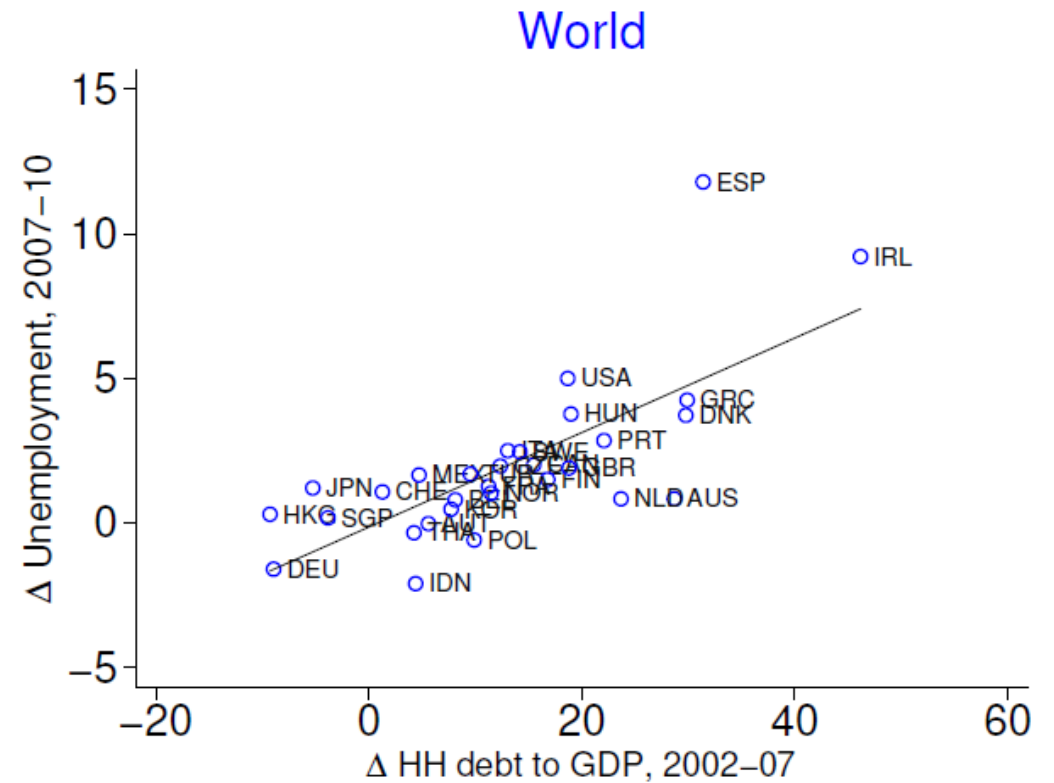
2. Structural
    *   GE long-term structural causes of rising credit dominate in long-run – require structural changes
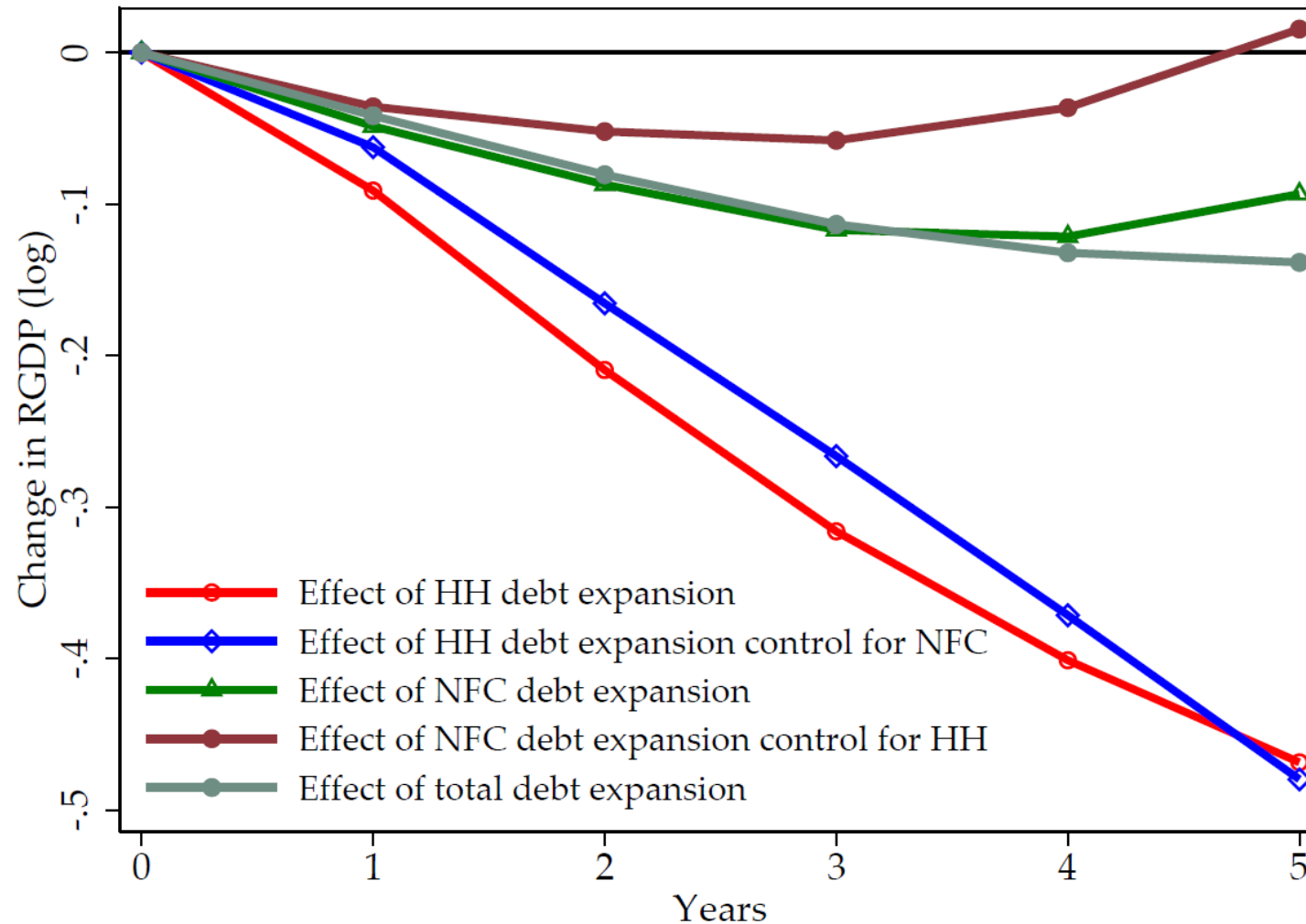
Credit-driven household demand channel

United States — Source: Mian and Sufi (IMF, 2010).
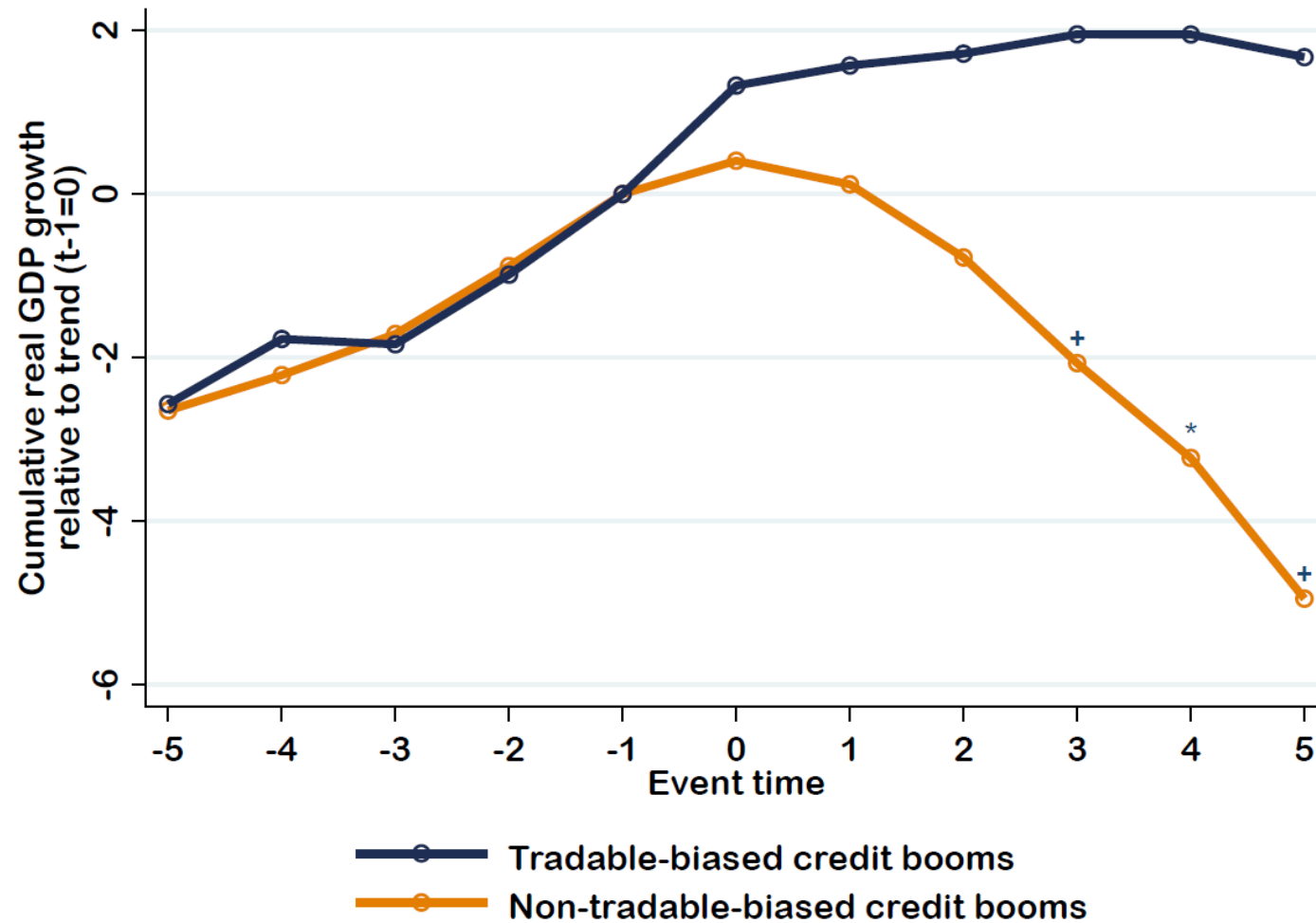
World — Source: Mian, Sufi, and Verner (QJE, 2017).
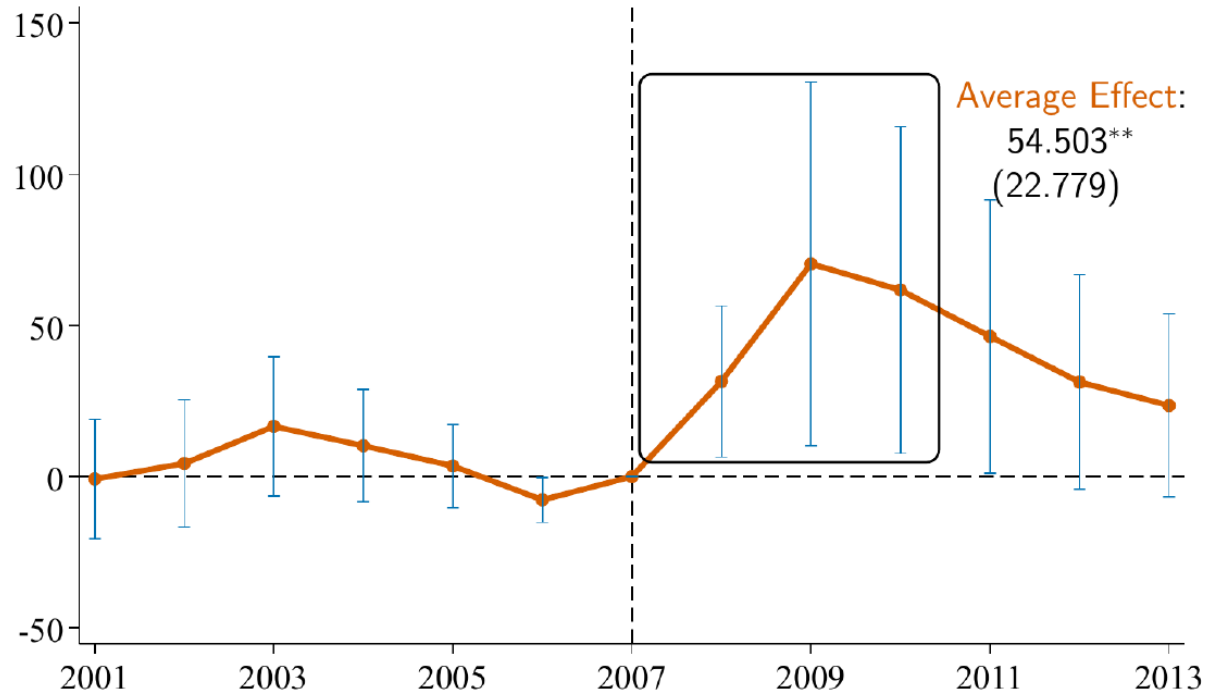
Credit expansion and subsequent GDP growth

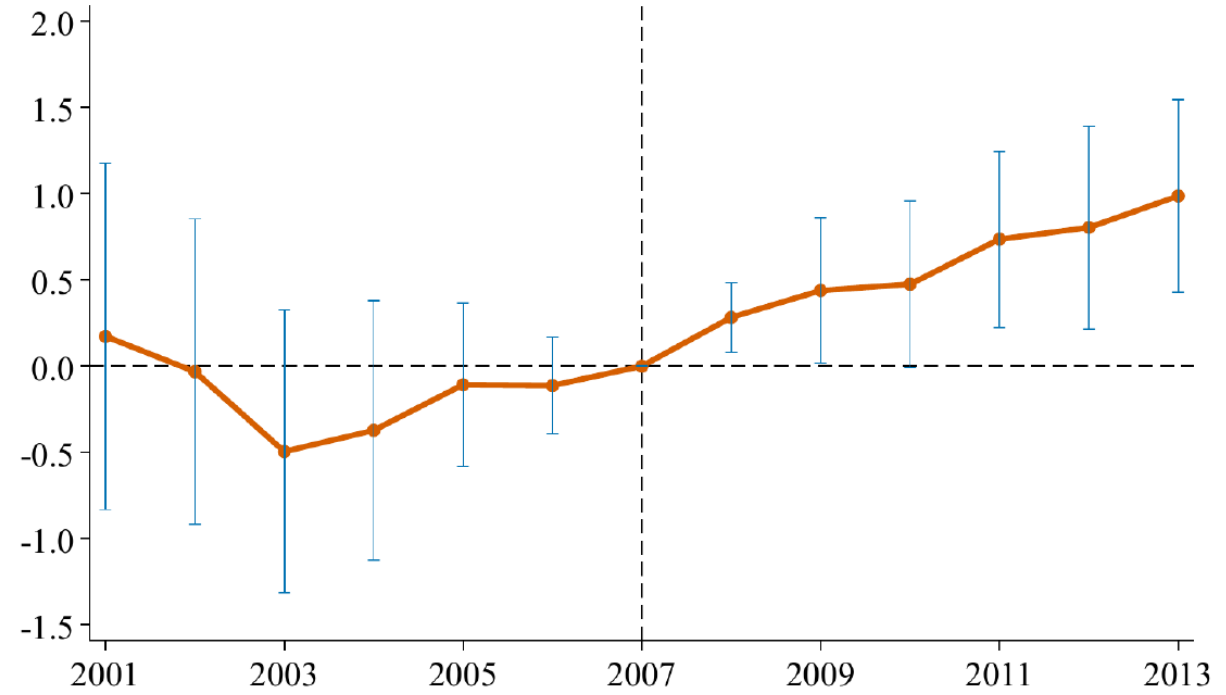# GDP response to sectoral credit booms

Debt-forgiveness in the Great Recession

Anual chargeoffs per capita

Non-tradable employment

Debt relief, risk-sharing and recovery post-GFC

Panel (b): Debt relief factors and zip code durable consumption growth and unemployment rate change

	Durable (Auto) Consumption growth		Unemployment change	
	(1)	(2)	(3)	(4)
ARM Share	0.259	0.146	0.000	−0.034
	(0.018)	(0.031)	(0.005)	(0.009)
HARP Eligible Share	0.045	0.048	−0.058	−0.043
	(0.014)	(0.016)	(0.004)	(0.005)
High Capacity Share	0.172	0.006	−0.035	−0.005
	(0.028)	(0.028)	(0.008)	(0.008)
Net Population Gain	–	0.043	–	−0.010
		(0.012)		(0.003)
Net Population Gain with Foreclosures	–	0.135	–	0.042
		(0.128)		(0.040)
Other zip code controls	No	Yes	No	Yes
Observations	2883	2883	2883	2883
Adjusted R-squared	0.123	0.319	0.101	0.148

Rising inequality, rising debt, and falling rate