Discussion: "The Macroeconomic Implications of Coholding"

by Michael Boutros and Andrej Mijakovic

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Disclaimer: Views expressed here are my own and do not necessarily reflect official positions of De Nederlandsche Bank or the Eurosystem

Overview of Discussion

This Paper: Documents the importance of **gross** liquidity positions for marginal propensities and assesses the **aggregate** consequences of coholding in a structural model

- Very interesting paper! I enjoyed reading it.
- Important question and exercise for both policy and theory

Plan for this Discussion:

- Brief summary of the paper
- Comment **#1**: Coholding in the Euro Area
- Comment **#2**: MPCs and liquid assets
- Comment **#3**: The role of monetary policy in the model

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The paper in a nutshell

Empirics

1. Significant fraction of households have **both** liquid debt and liquid assets [Gathergood and Weber, 2014; Telyukova, 2013; Telyukova and Wright, 2008]
2. Significant fraction of households with **low** net liquid wealth are coholders.
3. Liquid debt **dampens** the MPC whereas liquid assets leave marginal propensity unchanged.

Theory

Standard model features two objects that are key for aggregate effects:

$$\Lambda(z_t, na_t) \text{ and } \text{MPC}(z_t, na_t) \tag{1}$$

In the presence of coholding we have a third dimension:

$$\Lambda(z_t, a_t, d_t) \text{ and } \text{MPC}(z_t, a_t, d_t) \tag{2}$$

The distribution of MPCs over both liquid debt and assets is key for the aggregate effects of policy.

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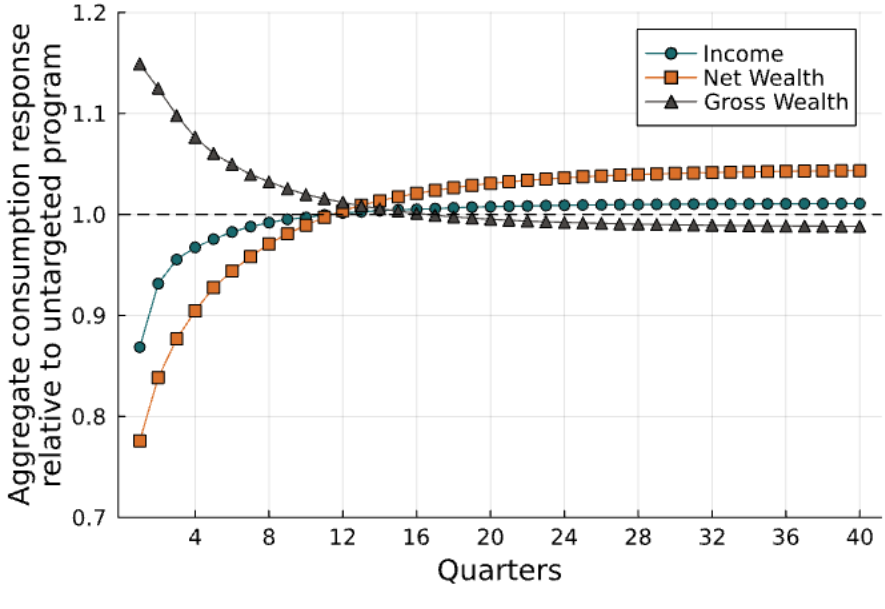
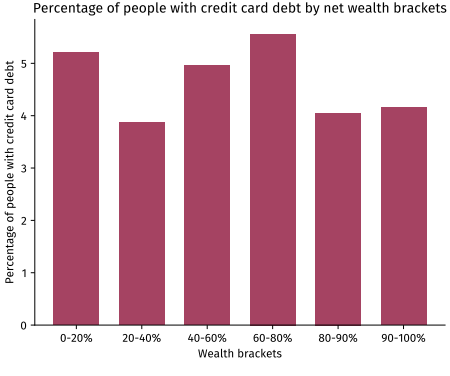
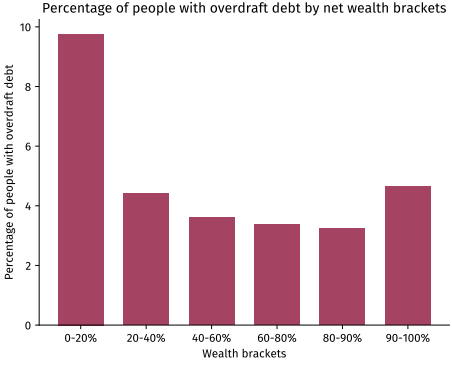
My favorite graph



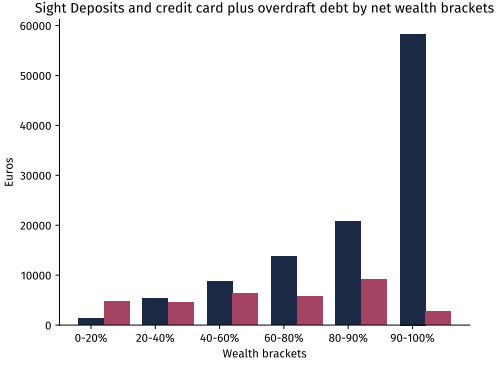
Comment #1: Euro Area coholding - Extensive Margin of liquid debt





- **Data:** Eurosystem Household Finance and Consumption Survey. Wave 2017.
- Overall less holding of liquid debt in the Euro Area on the extensive margin (Approx 30% of HHs in US are credit card borrowers) ▸ Figure 1b
- **Caveat**: excl. other non-mortgage debt here

Comment #1: Euro Area coholding - Intensive Margin of liquid debt and assets



- Intensive margin seems more similar in the US and Euro Area ▸ Figure 2a
- **Implication:** Overall less people that are coholders, but gross positions seem larger.
- **Question:** How do large differences in the extensive margin and intensive margin affect the aggregate effects?

Comment #2: Fagereng, Holm and Natvik...

- Main result from the empirical section: **liquid debt** dampens MPCs, **liquid assets** leave them unchanged.
- **But:** Fagereng, Holm and Natvik (2019) find that **gross** liquid assets reduce MPCs, even when controlling for debt.
- In fact; it's one of their key objects. Measured as the sum of deposits, stocks, bonds, and mutual funds.

What's the reason for the discrepancy?

1. Different measures of liquid assets / debt?
2. Different samples?
3. Different measurement of MPCs?

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TABLE 4—THE MPC OUT OF LOTTERY PRIZES: INTERACTION EFFECTS

	Univariate		Multivariate		Multivariate, no-risky-assets	
	(1)		(2)		(3)	
Lottery_t^2	−0.001	[−0.007]	−0.001	[−0.007]	−0.001	[−0.007]
	(0.000)		(0.000)		(0.001)	
$\text{Lottery}_t \times \text{liquid assets}_{t-1}$	−0.003	[−0.109]	−0.003	[−0.095]	−0.003	[−0.109]
	(0.001)		(0.001)		(0.002)	
$\text{Lottery}_t \times \text{income}_{t-1}$	0.001	[0.016]	−0.002	[−0.026]	−0.005	[−0.057]
	(0.002)		(0.002)		(0.004)	
$\text{Lottery}_t \times \text{net wealth}_{t-1}$	−0.000	[−0.019]	0.000	[0.035]	0.000	[0.033]
	(0.000)		(0.000)		(0.000)	
$\text{Lottery}_t \times \text{debt}_{t-1}$	0.001	[0.061]	0.000	[0.022]	0.002	[0.083]
	(0.000)		(0.001)		(0.001)	
$\text{Lottery}_t \times \text{education}_t$	0.014	[0.037]	0.007	[0.019]	0.005	[0.013]
	(0.007)		(0.007)		(0.013)	
$\text{Lottery}_t \times \text{risky share}_{t-1}$	−0.006	[−0.001]	−0.046	[−0.009]	.	.
	(0.073)		(0.075)		.	.
$\text{Lottery}_t \times \text{household size}_t$	0.034	[0.037]	0.025	[0.028]	0.037	[0.041]
	(0.017)		(0.018)		(0.029)	
$\text{Lottery}_t \times \text{age}_t$	−0.005	[−0.082]	−0.005	[−0.076]	−0.005	[−0.071]
	(0.001)		(0.001)		(0.002)	
Observations	93,631	93,631	93,631	93,631	40,859	40,859

Comment #2: compared to Boutros and Mijakovic

Table 1: Regressions of Marginal Propensities on Household Liquid Balance Sheet

	(1) Spend	(2) Spend	(3) Save	(4) Save	(5) Repay Debt	(6) Repay Debt
Liquid Wealth	0.043**		0.321***		-0.364***	
	(0.014)		(0.025)		(0.025)	
Liquid Assets		0.007		0.244***		-0.251***
		(0.016)		(0.027)		(0.024)
Liquid Debt		-0.204***		-0.667***		0.872***
		(0.038)		(0.059)		(0.078)
N	2,742	2,742	2,742	2,742	2,742	2,742
R^2	0.042	0.051	0.143	0.158	0.155	0.185

Notes: Standard errors in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Controls include age, gender, race, marital status, education, geography, and survey date.

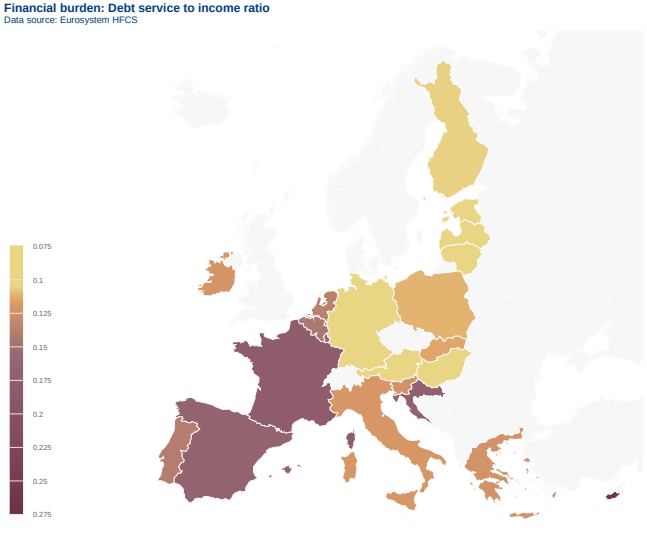
Comment #3: Mon. Pol. and General equilibrium quibbles

- The aggregate effects of differernt types of fiscal interventions are main focus of the model.
- **Buts:** No explicit role for inflation and general equilibrium (business cycle) effects in the model.

Some questions related to that:

1. Both credit card debt and liquid assets are **nominal**. How does inflation affect net nominal positions and real effects in the model? [Auclert, 2019]
2. Both transfers and debt forgiveness require **funding** from the fiscal side. How do different revenue choices affect the aggregate and distributional effects of coholding (also via inflation)? [Brzoza-Brzezina et al., 2024]

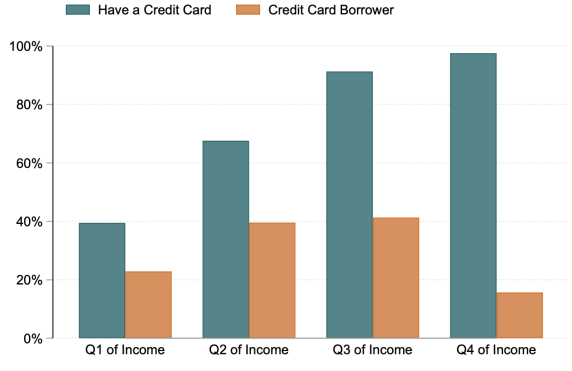
Bonus: Heterogeneity of financing burdens



Thank you!

Appendix

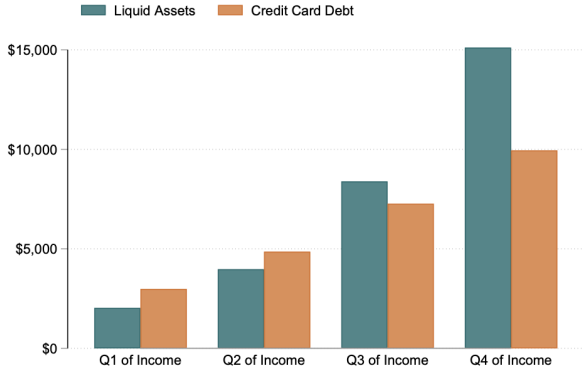
Figure 1b



(b) Credit Card Holders by Income Quartile

back

Figure



(a) Average Liquid Assets and Debt

back

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