Discussion of: “Unintended Consequences of QE: Real Estate Prices and Financial Stability”

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My View

- Fantastic paper: I love it
- A nice “post mortem” on the real effects of the Corporate Sector Purchase Programme
- A great example of linking financial policy to real economy, which is what we care about ultimately

Big Picture Summary

- Focus on bank lending in Germany
- Banks sorted based on lending to CSPP eligible borrowers in 2 years before program
- Treatment banks switch from CSPP eligible borrowers primarily to real estate asset managers
- Areas sorted by real estate exposure to treated banks
- Treated areas see stunning rise in real estate prices

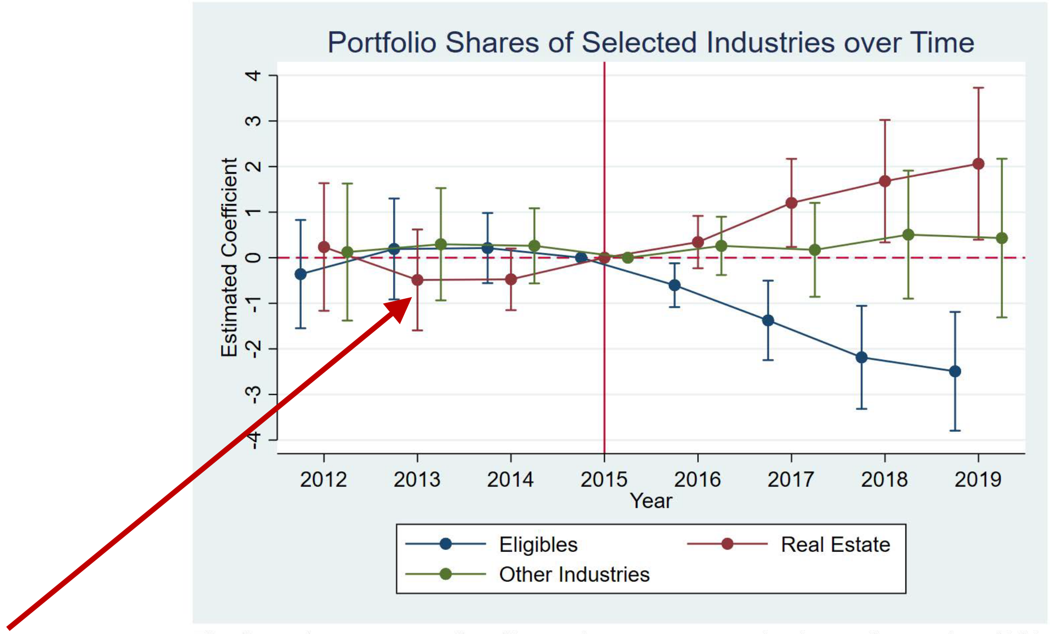
In “credit saturated economies”, efforts to boost bank lending to SMEs are unproductive and even adverse for financial stability

“Kicking the Tires” Comments

- More details on the relationship to prior literature, especially Gross-Rueschkamp et al (“profitable”?)
- Main empirical concern: mean reversion in lending portfolios of treatment and control banks
- Real estate price section needs more to justify the enormous effects (“ … elasticities are considerably higher than prior estimates in the literature”)

Mean Reversion?

Figure 2: Evolution of Capital Allocation over Time



This figure depicts estimated coefficients from mapping out the three industries from Table 2 Panel B Columns (1)-(3) over time with 2015 as base year. The dependent variable is the portfolio share in %. 'Eligibles' corresponds to CSPP eligible firms from any industry. 'Real Estate' and 'Other Industries' therefore only comprise CSPP ineligible firms. The solid lines around coefficients indicate 95% confidence intervals.

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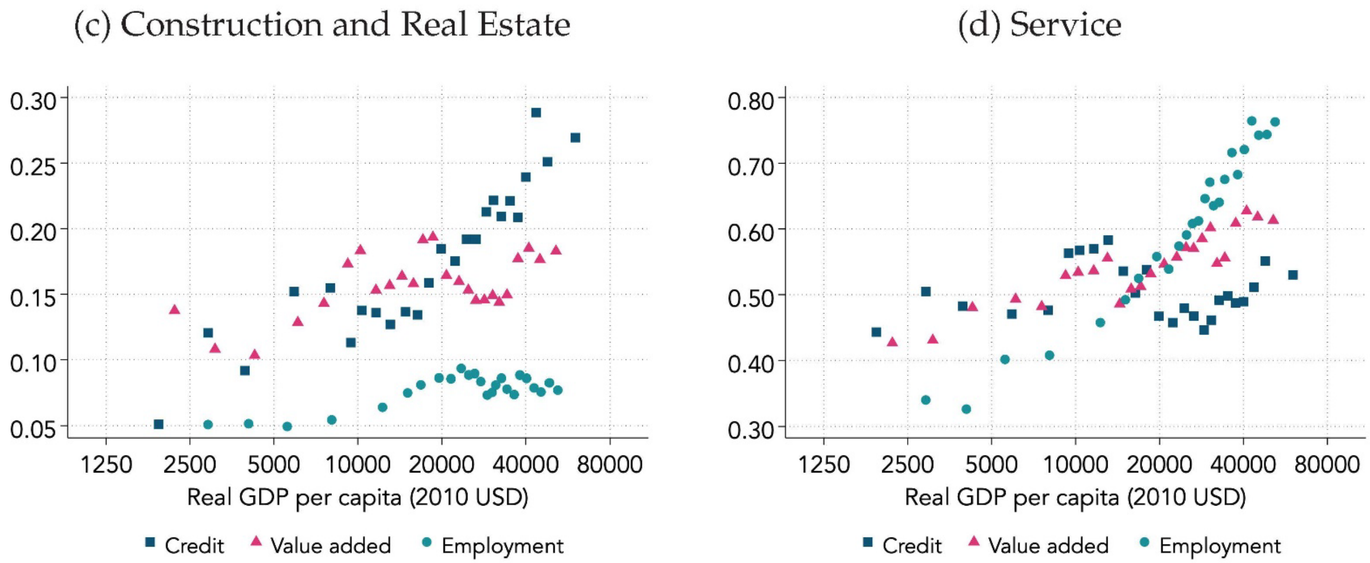
Banks in Advanced Economies



Note: These binscatter plots visualize the share of different sectors in outstanding non-financial corporate credit, value added, and employment over the course of economic development (measured by the natural logarithm of real GDP per capita in 2010 USD PPP).

Source: Dai, Muller, and Verner, "Credit Allocation, Collateral, and Economic Development WP, 2025

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What Happens if Policy Relies on Banks?

NAICS	Label	Change in VA	VA in 2022	German banks	Remove RE	PE	VC	DL
54	Prof, Sci, and Tech Services	5.4%	8.7%					
62	Health Care	4.3%	8.4%					
53	Real Estate and Rental Leasing	2.7%	15.0%					
56	Administrative and Support	2.2%	3.5%					
51	Information	1.3%	5.9%					

Conclusion

- Great paper, a must read, and hopefully the foundation for more research
- My main take-away: Banks are not well positioned to finance "new" economy
- Policies designed to boost bank lending will likely affect real estate, consistent with study's results
- We need more research on these other intermediaries (private equity, venture capital)

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