DISCUSSION OF:

Does Greater Inequality Lead to More Household Borrowing? New Evidence from Household Data

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1. Purpose and relevance
2. Main strengths
3. Some clarification questions
4. Some reflections and suggestions

Research question

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The paper's answer:

- No! It actually implies a decrease in leverage by low-income households. High-income households are the ones who increase.
- *Key mechanism:* Credit is more (less) difficult to access for low (high) income households when inequality is high → **Supply side**.

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  - → By charging lower interest rates;
  - → By denying loans less often.

Relevance of the subject

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- Use of rich, fairly unexplored, **dataset**.
- Paper written in a **clear, organized and pedagogical** way.

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- Information contained in the **income signal stronger when inequality is higher**? Why do banks lend at all to low-income housholds?
  - → Not clear what the intuition is.

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- If not keeping up, what is the **motivation for high-income households to increase leverage?** It is not just because they can that they will.
- If increase in leverage by high-income households is higher than decrease by low-income households, **link between inequality and total leverage may still hold**.
- Would be useful to have section on **"stylised facts"**. How did debt actually evolve, overall and for different sections of the income distribution? How did inequality evolve, overall and by region?