

1. What is the question for the paper?

Why the effects of money growth through bank lending channel differ across countries?

2. Why should we care about it

There are essays focusing on the bank lending channel of monetary policies. Some empirical papers show the lending transmission effects of money growth are stronger in developing countries (e.g.,China) and much weaker in developed countries (e.g.,OECD economies). Knowing what causes the difference is a big issue since it may provide a solution to the problem of ineffective monetary policies which are rising nowadays.

3. What is the author's answer?

The difference of the phenomenon lies on the banking systems. Money growth might have more economically significant real effects where state-run banks are more important. Moreover, money growth presages by state-run banks' lending growth because they are susceptible to political pressure to boost lending. Specifically, the results are stronger in pre-election years, when state-run banks can be under more political pressure to lend in concert with a monetary expansion, and in countries whose central banks are less independent, and whose monetary policy is therefore presumably more attuned to political priorities.

4. How did the author get there?

Four methodologies are developed by constructing both bank-level panel regression and economy-level panel regression. First, the bank-level findings survive including bank and economy-year fixed effects, which subsume all time invariant bank level and economy-level omitted variables and all time-varying economy-level omitted variables. Second, the bank-level results survive controlling for bank size and liquidity and their interaction with money growth, precluding their being mere artefacts of state-run and private sector banks responses to money growth depending on their differing size or liquidity. Third, the authors test for patterns in the data consistent with plausible remaining feasible alternative causality explanations. At last, the authors test whether patterns in the data associated with heterogeneity in likely political pressure.

$\Delta M_{i,j,t}$	the money growth in economy j and year t for bank i
$\Delta credit_{i,j,t+1}$	the annual real growth in bank i's gross loans , where the subscripts j, and t index the economy, and fiscal year
$\Delta capex_{j,t+1}$	the economy's real annual growth rate in gross fixed capital spending

### [3.1] Baseline economy-level regressions

$f_{j,t}$	the state-run fraction of the country's banking system.
$\lambda_j$	the controlling for the main effect of the state-run banking and economy fixed-effects
$\delta_j$	a state-run bank dummy

### [3.2] Economic implications of bank-level heterogeneity

$\lambda_j$	the list of controls with year fixed-effects
$\lambda_{j,t}$	the list of controls with economy-year fixed-effects

### [3.3] Baseline bank-level regressions: controlling for size and liquidity

$f_{k,i,t}$	the bank size and liquidity, for $k \in \{size, liquidity\}$
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### [4] Feasible Alternative Explanations

$p_{j,t}$	the possibility that state-run banks might be altering their lending in step with some other time-varying economic characteristic
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