

Politics, regulation, and bank payouts
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Roadmap of the talk

① Summary

● Comments/Suggestions

- The study focuses on *bank payouts* (repurchases, dividends) from 1977 to 2023.
 - Evidence on their behavior in the aggregate, by size, over time.
 - Connections between political cycle and the regulatory behavior.
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 - Evidence on their behavior in the aggregate, by size, over time.
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- The paper is reduced-form: OLS, RDD design.
- Findings:
 - Bank payouts are less generous under Democratic presidencies.
 - Politics affect large banks more than other banks.
 - Trump's election had positive returns for large banks vis-à-vis industrial corporations.

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- **Data sample:**
 - The paper combines a first data set from 1977 to 1992, and another from 1993 onwards. In 1993, the authors mention a structural break in their series. Not much happened in 1993, is this a statistical artifact? In econometrics a structural break should be accounted for with specific tools (Markov switching, etc.) – it can't be bunched together. I would just run the analyses separately for the two periods in this case. People understand data availability issues.
 - Also, do you splice the series? It seems unlikely that they perfectly coincide in 1992. The paper would benefit from a good appendix for these aspects.

- **Data sample (cont'd):**

- It is useful to show descriptives about how large are the sample sizes for large banks with your sample.
- More importantly, the \$50B threshold is chosen from a 2010 decision on analyses that go back to 1977. In econometric theory, this is problematic. Just take a quantile measure for “large banks”, like top 1/5/10 percent of the distribution. That is robust to the critique above, and you can see how robust it is to marginal changes.
- In fact, you could even run an analysis to see at which quantile level “large” ceases to be a meaningful distinction and derive insights.

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- Why lagged assets as a denominator, rather than current assets? It needs to be explained otherwise it looks puzzling (some results are the by-product of this choice).

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- Isn't the financial regulation uncertainty index an endogenous result for you, as it gets affected by lobbying efforts, which banks have control over?
- Unsure the Trump's shock is unexpected. Polarization literature tells us that people that voted for each candidate recently were all sure their candidate would win – if so that is information discounted in prices already. Clarifying to whom this is a a shock would be helpful to interpret the results.