

Comments to
The (un)desired Effects of Government Bailouts:
the Impact of TARP on the Interbank Market and
Bank Risk-taking

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The paper...

- Studies a very relevant topic, of high impact
- Provides a new perspective to an on-going discussion
- Contributes to the design of responses to crisis in the after-crisis environment
- Uses adequate and robust data and methods

Very interesting results:

- Increased interbank market activity (lending side), immediate and lasting.
- Possible moral hazard incentives; higher credit risk without higher profitability.
- Both results suggest unexpected effects of the program

Some considerations

- How uncommon is this situation? Specific factors?
- Relate capital spillover mechanism with other possible effects of the bailout on individual banks and on the system. Example: market share and market power.
- Further analysis on the time dynamics of the effect of interbank activity.
- Possible use of the sample for other questions to grasp a more complete view of the system and incentives.