# Discussion of

# Do Savings Nudges Cause Borowing? Evidence from a Mega Study

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# The Paper in One Table

**Message 1:** "Congratulations. Your average balance over the last 12 months has been great! Continue to increase your balance and strengthen your savings."

**Message 2:** "Increase the balance in your Banorte Account and get ready today for year-end expenses!"

**Message 3:** "Join customers your age who already save 10% or more of their income. Commit and increase the balance in your Banorte Account by $XXX this month."[5]

| | All Individuals | | | Individuals with a Credit Card | |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| | Ln Checking Acct. Balance +1 | Ln Checking Acct. Balance+1 | Ln Checking Acct. Balance+1 | Ln Checking Acct. Balance+1 | Ln Credit Card Interest+1 |
| Any treatment | 0.006* | | | 0.014** | -0.005 |
| | (0.004) | | | (0.007) | (0.004) |

- After receiving messages (information nudges) about saving more...
- ...bank customers save more BUT do not borrow more (i.e., cut spending)

# Plan for Comments

- Why is the contribution important? Two literatures:
  - Life-cycle consumption-saving-borrowing choices
  - FinTech for Macroeconomists
- Magnitudes and the design of information nudges

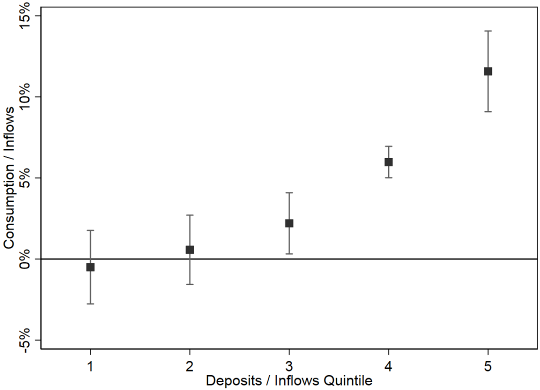
# Life-cycle Consumption-Spending-Borrowing

- Low savings hinder wealth accumulation
- Nudges to increase savings exogenously
  - Option 1: cut spending, save more, accumulate wealth
  - Option 2: same spending, save more, borrow to save
  - Option 3: if strong precautionary savings motives, even worse: keep cash, do not repay debt (co-holding puzzle)
- Household debt counters wealth accumulation, predicts financial crises
- Are strong precautionary savings motives plausible in the data?

# Spending Response to New Credit Lines

D'Acunto, Reuter, Scheuch, Weber (2021)

"Perceived Precautionary Savings Motives: Evidence from FinTech"




- After getting a credit line, the most liquid households start spending more...
- ... and, they do not tap into negative deposits!
- Start to spend cash they had been hoarding on their accounts

# Similar Preferences & Beliefs across Liquidity Levels

D'Acunto, Reuter, Scheuch, Weber (2021)

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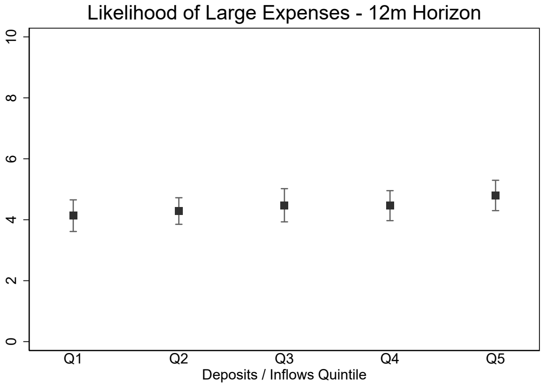


- By liquidity quintiles, same risk aversion, patience, expectations about several type of expenses, life expectancy, future shocks, income, income volatility, etc.
- All measured directly at the individual level through bank app

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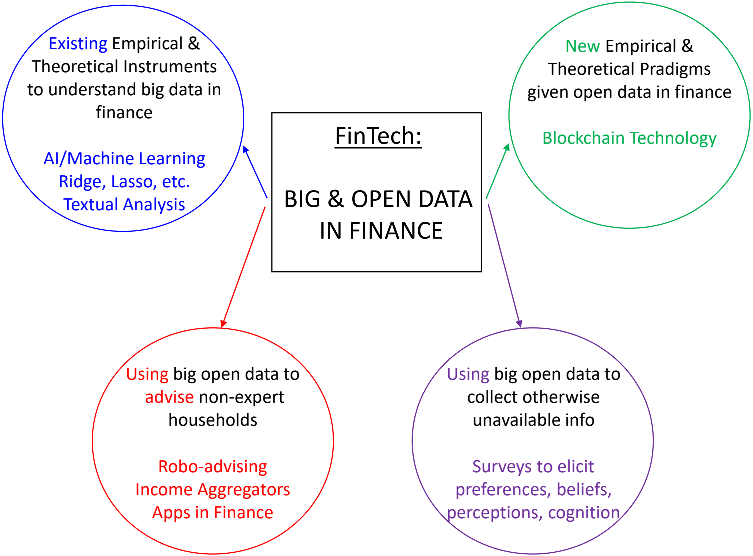
# FinTech: Big & Open Data in Finance



# FinTech for Macroeconomists

- Why should macro and central bankers care for FinTech apps?
  - Measuring preferences and beliefs in real time
    - Link preferences, beliefs to actual spending, saving decisions
  - Causal treatments, shocks: liquidity, etc.
    - Randomly provide liquidity, higher credit limits, etc.
  - Information nudges (aka, robo-advising)
    - Test for information processing and incorporation in decision-making

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# Mild Effect of Light Nudges on Savings

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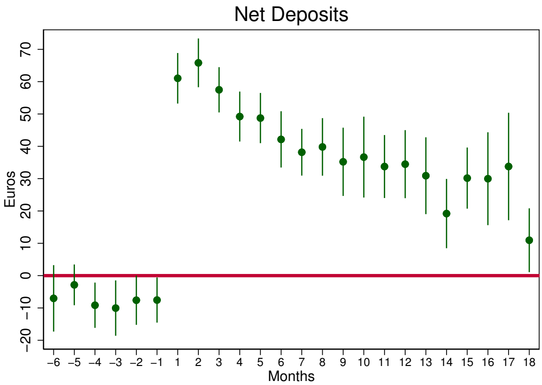
- Mild nudges, mild effects on savings, no effect on borrowing

# But Information Nudges Can Have Strong Effects on Savings

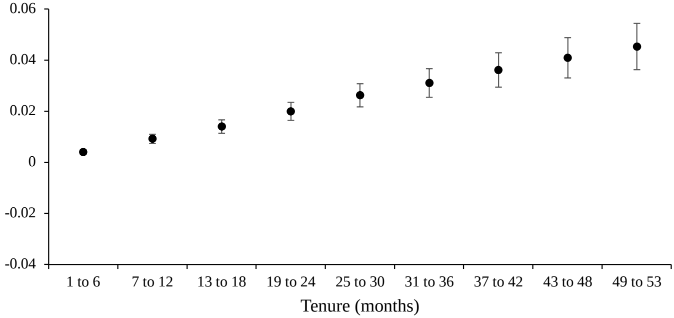
Gargano and Rossi (2021)
"Goal Setting and Saving in the FinTech Era"




- More "aggressive" nudge: active goal setting and monitoring by consumer
- Stronger effects on savings
- Is the no effect on borrowing true also with more aggressive nudges?

# Hard Nudges Have Stronger Effects on Savings...

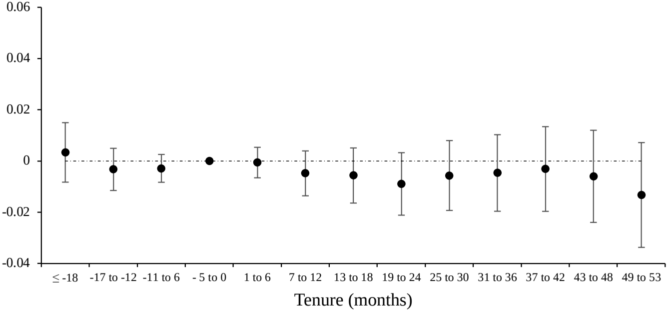
Beshears, Choi, Laibson, Madrian, Skimmyhorn (JF, forth.)
"Borrowing to Save? The Impact of Automatic Enrollment on Debt"




- Automatic enrolment steepens the path of retirement contributions...

# ...And do NOT Increase Borrowing

Beshears, Choi, Laibson, Madrian, Skimmyhorn (JF, forth.)
"Borrowing to Save? The Impact of Automatic Enrollment on Debt"




- ...but does not lead to higher debt accumulation

# Nudges Targeting Spending Rather than Savings

D'Acunto, Rossi, and Weber (2021)

"Crowdsourcing Peer Information to Changing Spending Behavior"


- Nudge: Disclosing peers' overall spending
- Users learn if they spend more or less of their peers
- Nudge targets lower spending by "overspenders", not savings

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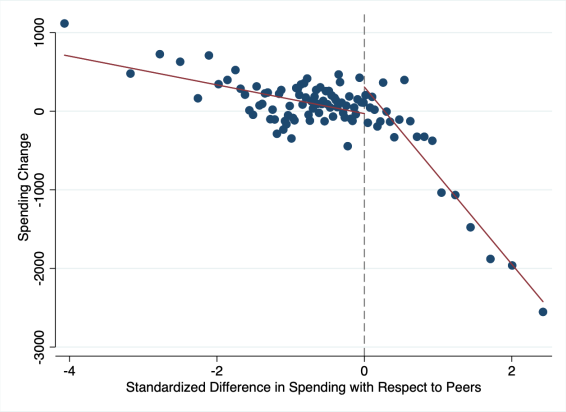


- "Overspending" users cut their spending and increase savings
- The increase is driven 1-to-1 by lower spending, no borrowing

## Conclusions

- Very important question (and answer)
- Increasing households' savings, wealth accumulation could be a double-edged sword if it increases (costly) borrowing
  - Authors find that higher savings do not relate to higher borrowing...
  - ...although consumers co-hold cash AND high-interest debt
- Example of the relevance of FinTech for macroeconomists