

Monetary Policy Without Borrowing: Capacity Constraints and Lumpy Investment*

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Abstract

We study how debt access shapes firm-level monetary transmission using monthly administrative data for the universe of Chilean firms matched to tax records, a comprehensive credit registry, and monetary policy surprises. Monetary policy passes through rapidly to borrowing costs: about 70% of a surprise is reflected in rates on new loans within 20 days. Yet real effects are concentrated among firms with debt. A 100-basis-point contractionary surprise lowers cumulative investment by about 0.18 percentage points of assets after 24 months, while firms without debt show near-zero responses at short horizons. Investment also rises sharply when firms first obtain debt and maintain it. We develop a model of limited debt access and lumpy expansion that accounts for these facts: firms with debt access adjust capital on the relevant margin, whereas firms without access save toward discrete expansion, so affordability rather than the user cost governs short-run investment.

Keywords: monetary policy, firm heterogeneity, debt access, financial frictions, lumpy investment.

JEL Codes: D22, D25, E22, E44, E52

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