Discussion of
Big techs and the credit channel of monetary policy

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Summary

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  - Big-tech does not $\Rightarrow$ the threat of platform exclusion enforces repayment
- Three findings from the model
  - Big tech's higher efficiency $\Rightarrow$ more availability of credit and higher value for firms of operating on the platform
  - MP has larger effect on output (but less persistent)
  - Efficiency gains (due to better matching) limited by distortionary fees

Summary of the model

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  - Search and matching along the production chain
  - Nominal rigidities (sticky wages)
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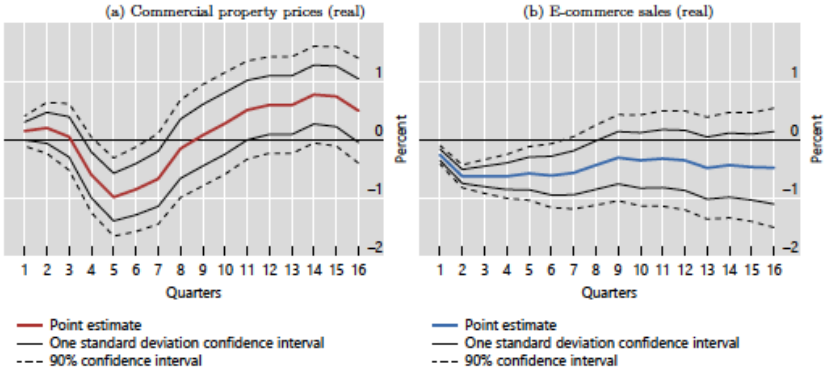
  - Bank lending $= L_t^s \leq \nu E_t[\text{Value of Physical Capital}]$
  - Tech lending $= L_t^b \leq bE_t[\text{Value of Staying in the Platform}]$

Implications for the transmission of monetary policy



- MP has larger effect on commercial property values than on E-commerce sales
- MP transmits differently because it affects each borrowing constraint differently

General thoughts and outline

- Key topic with large macro and MP implications
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- Outline of the discussion
  1. What is big-tech lending replacing?
  2. Enforceability of contracts
  3. Financial stability considerations

Comment 0: How's tech lending different?

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- Existing literature on cash-flow based borrowing constraints
  - Similarity: lending constraint is a function of present value of future cash flows
  - Difference
    - Traditional view: legal environment affects ability to pledge/seize cash flows, losing trade partner
    - Big-tech: platform exclusion

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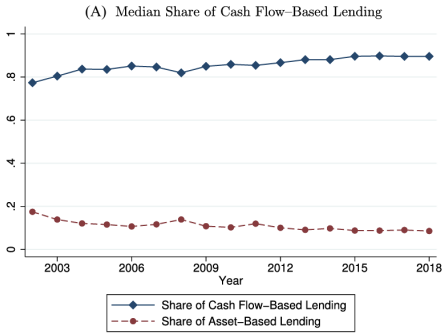

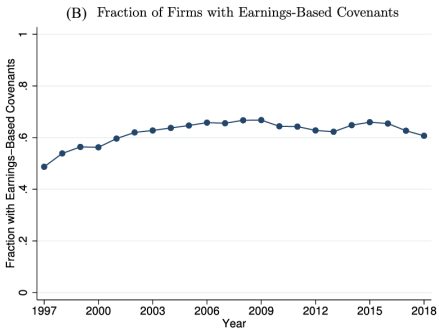

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- Not just a small modeling choice: the MP transmission effect of tech lending depends crucially on what the starting point is
  - If big-tech lending is mostly replacing other types of cash-flow based lending, is MP transmission unchanged?
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- Add a discussion on which countries/contexts the model better applies to? Japan but not U.S.?

Comment 2: Default and Reputation Costs

- Borrowing limited to cost of default: $\leq bE_t[\text{Value of Staying in the Platform}]$
- b captures:
  1. Access is lost for a finite number of periods
  2. Firms can sell their products elsewhere so the cost of access to the platform is the difference in profits between selling there and elsewhere

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- Calibration: $b = 2\% \Rightarrow$ is this too low?
  - Why does the calibration need this parameter to be this low?
  - How does it compare to calibrations in similar models?
  - If you can only borrow 2% of the PV of future profits, is big-tech lending relevant/important?

Comment 2: Default and Reputation Costs (cont'd)

- How does **platform exclusion** relate/compare to other forms of punishment in models of default?
  - Trade credit: repayment happens to avoid losing trading partners (relationships are costly to build)
  - Sovereign default literature shows countries are allowed back into capital markets shortly after defaulting
  - $\Rightarrow$ are there circumstances in which is not optimal to enforce platform exclusion?

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- Example: what happens in downturns with synchronized defaults?
  - Does the threat of exclusion become less effective?
  - Are reputation costs lower if you default when everyone else is defaulting?

Comment 3: Financial Stability Considerations

- Consequences of lending concentrated on Big-Tech firms that are also exposed to substantial aggregate risk?
- During a downturn:
  - Tech profits decrease (lower fee collection as sales go down)
  - Higher defaults
  - Does the story rely on Big-Tech always being profitable?

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Comment 3: Financial Stability Considerations (cont'd)

- Availability of tech credit increases total credit
  - Large literature documenting rapid credit expansions predict negative real outcomes
  - $\Rightarrow$ rapid increases in credit due to big tech rapid growth potentially problematic?
  - Does the type of lender matter? Boyarchenko, Elias, and Mueller (2023) document that growth in bank and non-bank lending have different implications for real outcomes

Conclusion

- Paper focuses on an important, timely topic: rise of big tech lending
- Model has clear implications for the transmission of monetary policy
- Would benefit from more thorough discussion on:
  - Is (asset) collateral lending the "right" outside option for firms?
  - Can big tech actually enforce contracts as the model assumes?
  - Financial stability considerations
- Looking forward to seeing the next version of the paper and good luck!