Discussion of "How Does BigTech Credit Affect Monetary Policy Transmission?"

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Summary

- This study analyses the transmission of monetary policy through Big Tech and bank (business) credit.
  - **Unique dataset** covering the entire borrowing history of sampled firms from Big Tech and traditional banks in China.
  - Compare the responses of **extensive and intensive margins** of both lenders to monetary policy changes.
  - The Big Tech lender's extensive margin is found **responsive** to monetary policy changes, while the intensive margin is not.
  - Possible mechanisms: advantages in data abundance, screening, and monitoring of the Big Tech credit.
- Why is this an important area of research?
  - Big Tech credit is expected to reach **$1 trillion** by 2023 (BIS). $\Longrightarrow$ new **challenge** for monetary policy.
  - Completes de Fiore, Gambacorta, and Manea (2022): Big techs and the credit channel of monetary transmission.
- Five comments for a **very** cool paper.

1. Identification

- The policy rate (changes) is used in the estimation.
  - Interpreting the corresponding coefficient as the effect of monetary policy on the dependent variable is problematic (identification, endogeneity).
  - Instead, use **monetary policy shocks identified at high frequency** + panel LP-IV approach.
    - Chen, Higgins, Waggoner, and Zha (2016): Identifying China's Monetary Policy Shocks.
- What about monetary policy **communication** (shocks), not necessarily about rates?
- **Causal effects** of data abundance, screening, and monitoring of the Big Tech credit, and their interactions, are weakly demonstrated.

2. China

- Monetary policy in China is hardly **comparable** to other countries.
  1. The monetary framework remains complex with unclear/**non transparent aspects** and **multiple instruments** of monetary policy.
  2. Unique institutional framework for macroeconomic policy making, where the **State Council** is the ultimate decision-maker $\Longrightarrow$ monetary and fiscal policies are **highly coordinated**.
- Complicates generalizations, more focus on China.
  - Das and Song (2022): Monetary Policy Transmission and Policy Coordination in China.

3. Policy Uncertainty

- New (unsupervised) players $\Longrightarrow$ alternative to bank services.
  - New challenge for the **monetary policy** conduct.
  - More importantly, this threatens **financial stability** and challenges **banking supervision**.
  - States and central banks may **regulate** more.

$\Longrightarrow$ Would your results hold following regulation changes?

- More discussion is needed.
- Why? Threat to identification.
  - Regulation shocks could affect non symmetrically the relative lending behavior of traditional banks and Big Tech lenders.

4. Econometrics

- Panel estimation
  - The interaction $A \times B$ should be estimated **with** A and B.
  - If B is non-time varying, you still have to estimate $A \times B$ **with** A, i.e., if FE could capture B.
- Do individual-specific effects correlate with the independent variables?
  - If no, you should use random effects.
  - No Durbin–Wu–Hausman test in the paper.
- Amount of credit
  - Why not use **dlog** instead of log?
- Control variables
  - From Section 3.3 to the end, no more **control variables**.
  - What about additional control variables?
    - Inflation
    - Unemployment
    - Stock market

5. Details

- How did you get these numbers? More **explanations** are required.
  - "the average probability of new lending relationship is **3.4%** (see Table 1)",
  - "when monetary policy eases by one standard deviation, the BigTech lender issues more credits than banks to the MSMEs in the city by **41.73%**"
- What about offline firms **externalizing** their online?
  - "we split the full sample of firms into a subsample of online firms that sell products on the digital platform and a subsample of offline firms that do not conduct e-commerce"
  - what about (offline) firms online on/with another platform? (e.g., Uber Eats)
- Characteristics
  - What about **fixed** vs. **variable** rate loans?

Minor Comments

- New title suggestion
  - *Big Tech Business Credit and Monetary Policy Transmission*
- Table 1
  - Same N for bank, bank unsecured and secured credit use?
- $+60$ years old owners
  - Interesting to know what is happening to $+60$ owners.
  - Removing $+60$ owners may create a **selection bias**.
- Figure 2
  - Compare to online banks.
  - Compare margins.
- Figure 3
  - Monetary policy changes look **seasonal**.
  - More strikingly, they look **non smoothed**.

Thanks

- *Thank you for your attention.*
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