A discussion of

" Product Innovation and Credit Market Disruptions"

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Product Innovation and Credit Market Disruptions

- **Very *innovative* paper!**

- This discussion:
  - Quick Recap
  - Comment 1: Product creation versus innovation
  - Comment 2: Identification

Product Innovation and Credit Market Disruptions on one slide

- Use Nielsen scanner data (2006 - 2015)
  - Universe of retail goods
  - More than 50% of retail sales
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  - .. those products are less novel,
  - .. and the new products sell less well.

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Contribution

- Credit supply shocks not just drivers of investment and employment (firms) and consumption (HHs)..
- .. but also drivers of innovation!

Comment 1: Product creation and innovation

Product creation ≈ innovation?

- New products are identified by new barcodes
- New product line = new barcode in new "module"
- What are we measuring?

Example: Fashion Industry

Figure: Karl Lagerfeld (left) and Zara (right).

- "Fast-Fashion" concept:
  - New "innovations" by "designers"
  - Retailer quickly adapt and adjust their products (almost on weekly basis)

Raises issues:

- Are new products "innovative" and increase productivity?
- Or are they just means to increase market shares and about division of surplus? Product differentiation?
- Several other examples: Soda, candy bars, households appliances, ...

Comment 2: Identification

1. Two different identification strategies:
   - Small business lending
   - Refinancing needs of firms active in syndicated lending

   $\rightarrow$ Focus on very different types of firms

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Comment 2: Identification (ctd)

2. Identification based on refinancing needs during GFC is not plausibly exogenous

→ C&I loans almost never actually mature...
... but are constantly refinanced, see Chodorow-Reich et al. (JFE, 2020)
- Term loans have a maturity of 5-6 years, but refinanced every 1-2 years
- Only short-term credit lines (mostly taken by SMEs) are refinanced at maturity

Table 4: ***Maturity Management in Revolving Credit Lines and Term Loan by Firm Size Category.***

Assets ($mil.)												
Original Maturity	1 year or less			1-2 years			2-4 years			more than 4		
	Before	After	N	Before	After	N	Before	After	N	Before	After	N
Panel A: Credit Lines												
0-50	0	12	274076	1	19	73108	6	31	29977	56	61	17679
50-250	0	12	48580	6	21	29236	12	34	38101	38	60	44975
250-1000	0	12	12913	9	22	10501	21	35	34285	36	60	68380
1000-5000	0	12	7626	11	19	7188	26	36	43873	38	60	106056
5000-	1	12	14996	12	20	7116	28	36	36860	44	60	106849
Panel B: Term Loans												
0-50	0	4	17670	2	18	6975	19	35	30932	47	69	162379
50-250	0	6	8034	6	16	5577	23	33	29441	42	60	95464
250-1000	0	9	3028	12	18	2654	25	33	16214	43	59	50240
1000-5000	1	11	2637	10	20	2142	26	33	14869	45	59	41947
5000-	1	7	5221	12	18	3893	29	34	14902	48	59	27810

Notes: The table reports the median maturity (in months) before and after a credit facility is renewed. Facilities are grouped by their maturity at origination/recent renew date as noted in the header. Demand loans are excluded from the sample. The sample is restricted to all renewals of revolving credit lines (Panel A) and term loans (Par B) reported between 2015Q1 through 2019Q4.

Figure: Remaining Maturity at Refinancing Date for C&I loans.