Discussion

Superstar Buyers & the Amplification of Financial Crises: Evidence from Firm-to-Firm Trade Transactions

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Overall Comments

The paper exploits an exceptional matched bank–firm–buyer dataset to study how financial shocks propagate through trade networks, with a focus on superstar buyers.

- Very strong paper: outstanding data construction, clear exposition, and careful empirical analysis.
- The research question is important and highly relevant for both macroeconomics and policy.
- Results are internally consistent and economically meaningful.
- My comments mainly aim to sharpen the interpretation of the underlying mechanisms and clarify what drives the estimated effects.

Summary

- Issuance of Tremonti bonds to identify fragile banks $\Rightarrow$ firm-level credit supply shock in Italy.
- Firms more exposed to fragile banks experience persistent declines in credit and exports.
- Export losses are significantly larger for firms connected to superstar buyers.
- Amplification operates through the intensive margin (lower sales per buyer), not buyer exit.
- Superstar buyers reallocate purchases away from more exposed suppliers.
- Exposed firms with superstar connections also experience weaker employment growth.

Identification via Tremonti Bonds

- Tremonti bonds (issued in 2009) are used to identify fragile banks.
- Issuance was voluntary and costly ⇒ strong signal of pre-existing structural weakness.
  - No ties with exposure to the sovereign debt crisis.
- This makes Tremonti bonds a predetermined marker of fragility, not an outcome of the sovereign crisis.
- Key identifying assumption:
  - absent the sovereign crisis, Tremonti and non-Tremonti banks would have followed similar lending paths.
- Similar pre-trends in lending are used to support this counterfactual.

Interpretation Concern

- Pre-trend similarity does not imply similar underlying bank health.
- Banks issued Tremonti bonds precisely because of latent fragilities:
  - weak governance, hidden losses, fragile funding models,
  - poor asset quality not visible in standard balance-sheet data (controlled for): e.g., hidden losses for MPS.
- These weaknesses are persistent and can explain post-2011 lending contractions without invoking a sovereign-risk transmission channel. But they were still:
  - unrelated to client performance;
  - invisible to the firms too (no recomposition, no switch).
  - $\rightarrow$ Still plausibly exogenous, but not due to sovereign debt crisis,
  - $\Rightarrow$ rather, to the unfolding of preexisting weaknesses.

+ Treatment highly concentrated: sensitivity to bank-specific shocks.
+ Alternative controls for banks' specialization: based on exporters' destination structure.

Mechanism

- Main margin for improvement: presentation and sequencing of the mechanism.
- Conceptually, the paper would benefit from:
  - stating the mechanism and alternatives ex ante,
  - then organizing the empirical analysis to test them sequentially, starting from buyer-level evidence.
- Export analysis starts with specifications that are not directly informative about buyer-level reallocation: firm–destination outcomes using firm-level superstar exposure.
  - What is the behavior being tested?
  - Through which channel do superstar buyers affect exports?

Mechanisms: Through Superstar Buyers

In my view, several conceptually distinct channels:

- Short-run observable constraints (buyer reallocation).
    - Buyers reallocate away from constrained suppliers with visible problems.
    - $\Rightarrow$ Requires short-run, observable disruptions: delivery delays or quantity shortfalls.
    - $\Rightarrow$ Predicts stronger effects for illiquid exporters.
    - $\Rightarrow$ Hard to reconcile with similar effects for liquid and illiquid firms.
- Forward-looking supplier screening and risk management of the chain.
    - Buyers proactively reduce exposure to suppliers perceived as fragile.
    - Based on expected future reliability, not current performance.
    - $\Rightarrow$ Consistent with no liquidity heterogeneity.
    - $\Rightarrow$ Requires strong (and indirect) information assumptions.
- Other channels (less consistent with identification).
    - Contract renegotiation (also prices) would require shocks to buyers.
    - High working-capital intensity $\rightarrow$ supply and predicts liquidity heterog.

Mechanisms: Spillovers to Other Buyers

The data also show larger export declines to non-superstar buyers for firms connected to superstars. This requires additional, indirect mechanisms.

- Firm-level liquidity and scale effects.
  - Loss of a large buyer reduces cash flow and scale.
  - Forces broader contraction in production and exports.
- Capacity and indivisibilities.
  - Superstar orders support fixed costs or minimum scale.
  - When they shrink, serving smaller buyers becomes harder.
- Organizational and contractual rigidity.
  - Production and logistics optimized for large buyers.
  - Capacity cannot be easily reallocated to smaller customers.
  - Leads to negative spillovers beyond the superstar relationship.
- Reputation and signaling (high info requirement: less likely).
  - Quantity adjustments are opaque to other buyers.
  - Limited scope for reputational spillovers without exits.

Alternative Explanations (already ruled out)

- Exporter-driven reallocation. Constrained firms may shift activity from exports to domestic markets (trade credit easier at home). Superstar connection may proxy for export intensity, not buyer behavior.
  - Exporter retrenchment alone would affect all foreign buyers similarly, but the decline is larger for superstar buyers.
- Shipment lumpiness. Large buyers place infrequent, high-value orders. Timing may matter, but cannot explain why the effect appears only for highly exposed exporters.
  - Check regular pre-shock shipment patterns.

Overall: Credit shocks reduce exports $\rightarrow$ Superstar penalty still needs a clearer buyer-side explanation.

Sharpening the Mechanism

- Core mechanism: superstar buyers reallocate across suppliers when some become credit constrained.
- Current export regressions mostly show that firms with superstar connections behave differently, not that superstars behave differently.
- Cleaner test should operate at the buyer–product–supplier level.
- Preferred design:
  - firm–buyer–product–destination–time panel,
  - rich FE (e.g. firm–product–destination–time and buyer–product–time),
  - identify from within-firm, within-product, within-destination variation: same firm, same product, same market — superstar vs non-superstar buyers, controlling for buyer demand.
- This directly targets reallocation and rules out firm-type and market-level confounds.

Sharpening the Mechanism

- Heterogeneity by # Italian suppliers is suggestive but not decisive:
    - supplier count is not product-specific,
    - it is endogenous to persistent characteristics (size, sector, etc),
    - aggregate buyer expansion does not rule out compositional effects.
- Reallocation should operate at the product level:
    - buyers substitute across suppliers of the same product,
    - ideally measured using global sourcing competition,
    - Italian suppliers are informative—but at product&destination level.

+ Additional heterogeneity consistent with reallocation (switching costs):
    - stronger effects for homogeneous, easily substitutable goods,
    - weaker effects when sourcing alternatives are limited (HHI/churning),
    - relationship intensity: high-share and long-standing links.

Closing Interpretation

- Export decline among superstar-connected firms:

  $\Rightarrow$ buyer-driven reallocation away from constrained suppliers

  $\Rightarrow$ large buyers amplify financial shocks.

- But from a partial-equilibrium perspective:
  - shifting orders toward more reliable suppliers
  - may reflect efficient sorting, not amplification.

$$\text{buyer reallocation} \neq \text{welfare amplification}$$

- The intended aggregate exercises: inform magnitudes $\Rightarrow$ cannot distinguish amplification vs. efficient sorting

- Clearer takeaway if framed around buyer reallocation rather than amplification of the crisis.