Debt Without Investment

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Discussion by
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The views expressed here do not necessarily reflect the position of Bank of Lithuania or Eurosystem

Summary

- **This Paper**
  - ◇ Studies the role of capital markets debt (CMD) in driving the secular increase in market power and industry concentration in the US
- **Why Should We Care?**
  - ◇ CMD growth is the main driver of non-financial corporate debt growth
  - ◇ Private investment has been remarkably low during the same period
  - ◇ Industry concentration on the rise
- **How Did Marta Answer the Question?**
  - ◇ **Empirically**: provide causal evidence of CMD and M&A at firm-level
  - ◇ **Theoretically**: rationalize the empirical finding in a state-of-art macro-finance framework
- **Main Takeaway**
  - ◇ The development of debt capital markets has disproportionately benefited large firms, enabling them to leverage this financing to enhance their market dominance through acquisitions.

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Plan for Discussion

- Comment on the empirical part
- Comment on the theory part
- Comment on the big picture

Comment on empirical part

- **Stylized facts**: if possible, consider using the same period for all graphs
  - ◇ Figure 1: 2000–2020
  - ◇ Figure 2: 1950–2020
  - ◇ Figure 4: 2008–2024
  - ◇ Figure 3, 5-7: 1990-2020
- "A notable feature of the expansion of corporate debt in the U.S. is the increasing prominence of capital markets debt, including bonds and syndicated loans, which has progressively overshadowed traditional financing methods."
  - ◇ Not so trivial to square this statement with Figure 1–5

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Figure 1. U.S. Corporate Financing

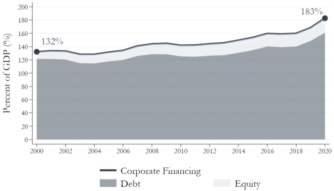
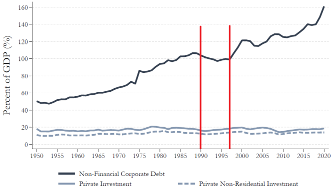


Figure 2. U.S. Corporate Debt and Private Investment



b. Share of Total Debt

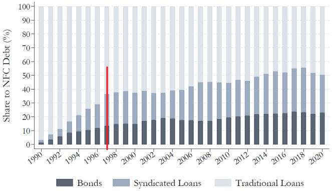


Figure 4. Assets Under Management

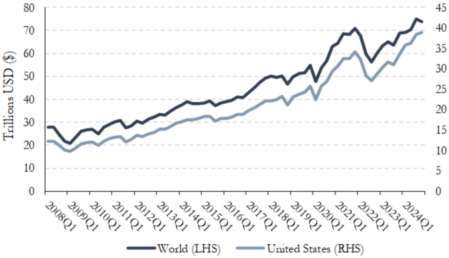
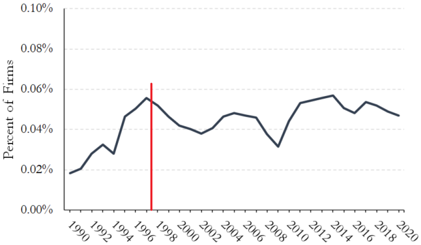


Figure 5. Evolution of Access to Debt Capital Markets



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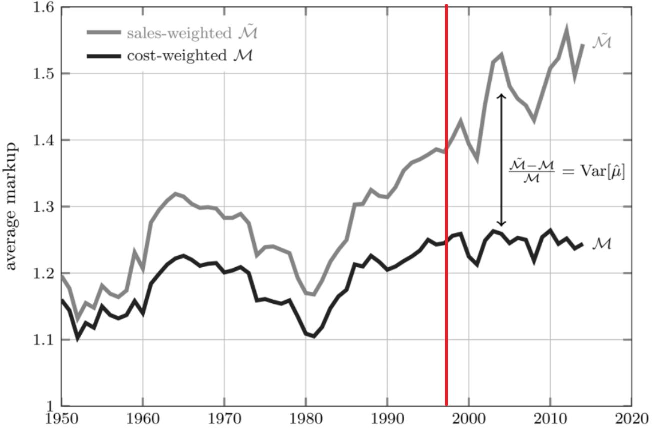
  - ◇ Contrast 1990–2000 vs 2000–2020, these two parts seem to display different dynamics
- Consider adding markup into Figure 7, better matched with your modeling choice

Comment on empirical part

Edmond et al (2023), JPE



Comment on empirical part

- **Causal exercise:** very well executed, only one concern
- Footnote 13 cites shift-share literature (Borusyak et al 2022, 2025) when providing justification for the instrument
- If this line of identification strategy is indeed relevant, consider provide a better comparison of your instrument with the standard jargons (shift vs share) in the literature

$$\tilde{L}_{i,t} = \sum_{l \in \mathcal{L}_{i,1990s}} \alpha_{i,l,1990s} L_{-i,l,t}$$

- Bear in mind it is a quite demanding identification strategy...

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- Atkeson and Burstein (2008) + earnings-based financial constraints + David (2020), wonderful!
- Market share and markup are not always equivalent (Garcia-Perea et al, 2021)
- Figure 24: "This figure shows the effect of acquisitions on the acquirer's market power (market share and markup). This exercise assumes an initial log-normal distribution of capital with $\sigma_k = 0.05$, homogeneous productivity across firms, and no acquisition synergies."
- GE allows you to do welfare, so consider supporting the following statement in your conclusion with some welfare numbers

  "Importantly, the model also highlights a potential trade-off: while acquisitions lead to greater concentration and reduced competition, these can also reallocate capital towards more productive firms, generating efficiency gains in some scenarios."
- The main focus is the acquirer, but what type of targets are these acquirers after?

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Comment on big picture

- **US:** the increase of average markup is accompanied with the decrease of labor share (Gutiérrez and Philippon (2017), De Loecker et al. (2020))
- **Lithuania:** firms are gaining power in the product market but losing it in the labor market (Ding et al (2025))
- **Why product market & labor market?**
  - Product market power $\Rightarrow \uparrow$ market concentration, $\downarrow$ output, $\uparrow$ price
  - Labor market power $\Rightarrow \uparrow$ employment concentration, $\downarrow$ employment, $\downarrow$ wage
  - Product market and labor market are interlinked
- **Can we really understand the the macro and welfare implication without jointly considering these two markets?**

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Conclusion

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- Very interesting paper! Solid work with rich policy implications.
- I would at least:
  - Refine the stylized facts to better motivate the causal exercise
  - Consider welfare analysis to provide quantitative assessment of the phenomenon
  - Acknowledge the limitation of the exercise if it is not feasible to factor into the labor market
- Looking forward to reading the next edition of the paper!