

Discussion of  
“Payments on Digital Platforms...”  
by Chiu and Wong

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# The Issue

- Commerce vs ~~Finance~~ Payments



# This paper

Competition between  
a sovereign fiat money and  
a token provided by a commerce platform

# Competing Payments Arrangements

- Acceptability
- Costs
  - Inflation
  - Charges for paying or receiving (fixed and variable)
  - Relative probability of collapse

# Maintained assumptions

- Sovereign
  - Never defaults
  - Inflates at fixed rate
  - Collects no taxes
- Monopolist platform
  - Goods sold by independent competitive producers
  - Platform can commit to policy (unlike, say, airlines)
  - Has the option of using the sovereign's coins or (/and) establishing his own.

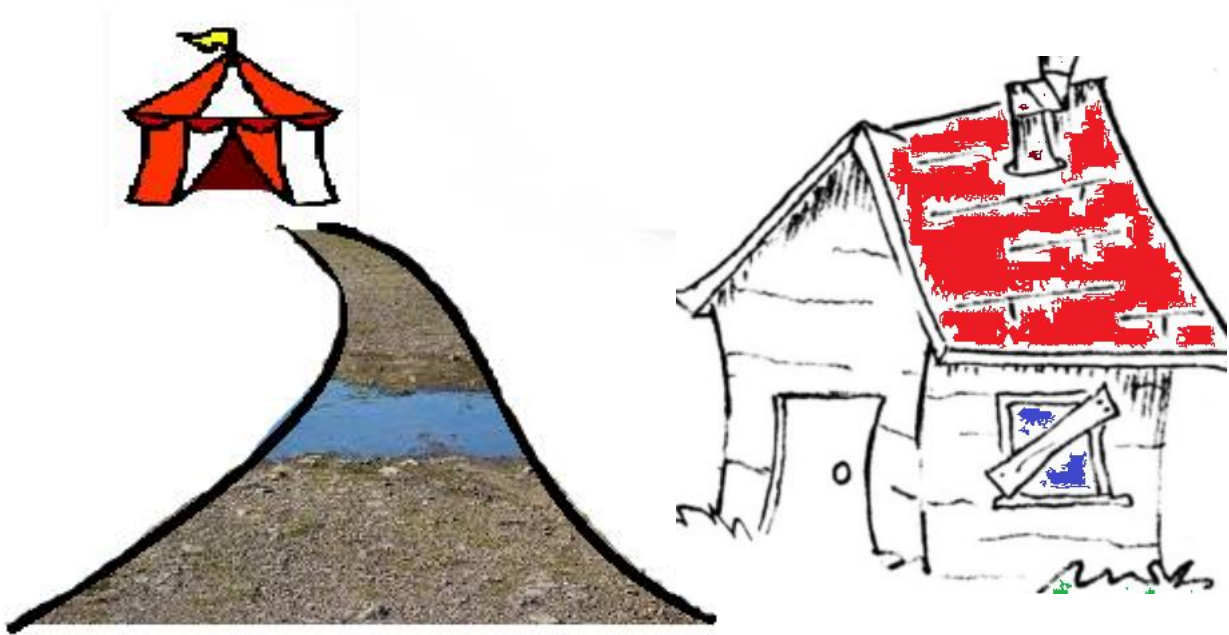
# Questions

- What terms does the commercial platform establish?
- Are they efficient?
- How do they depend on the inflation rate?
- How do they depend on the probability that the platform can fail?
- Would the platform want to insure its coins by backing with government reserves? How would it respond to mandatory insurance?

# Framework: Lagos Wright

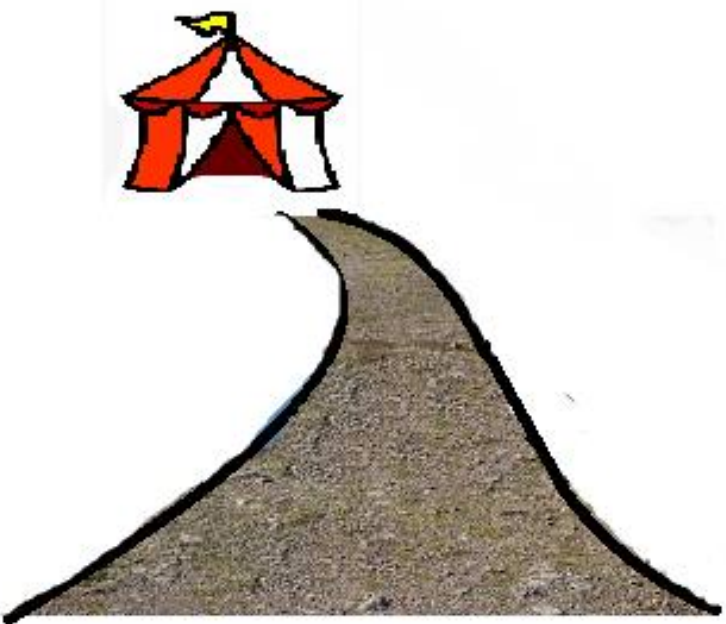
- Natural framework in some respects
  - Buyers purchase coins in centralized market
  - Have fixed probability of ending up in standard decentralized market or on a private platform
- However
  - Meetings not bilateral: competitive sellers with constant marginal costs
  - Other information assumptions need to be spelled out more explicitly

# A market on the king's highway

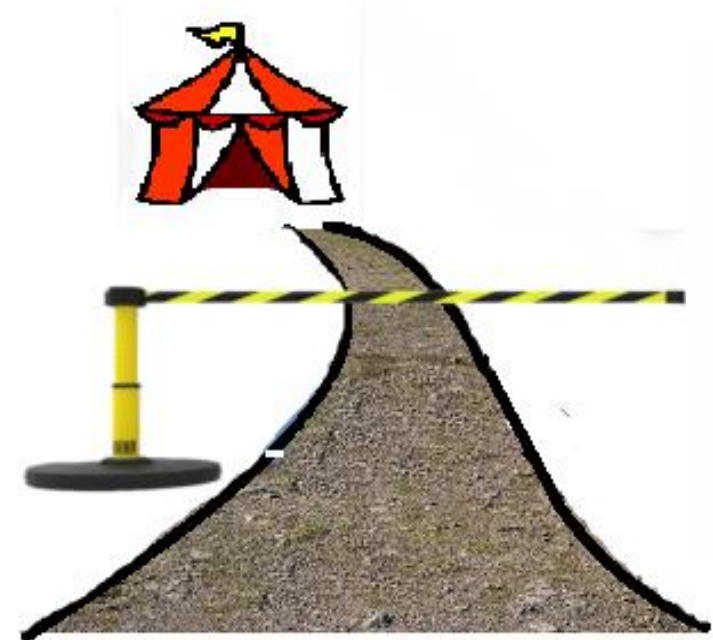




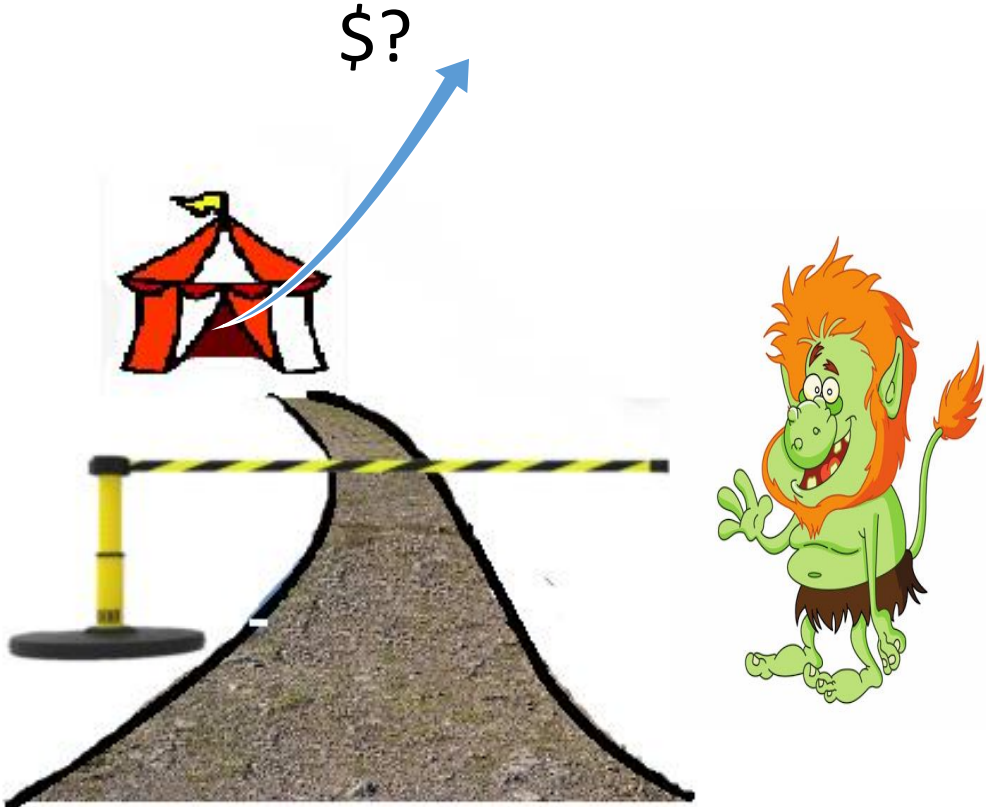
# A competing (?) market



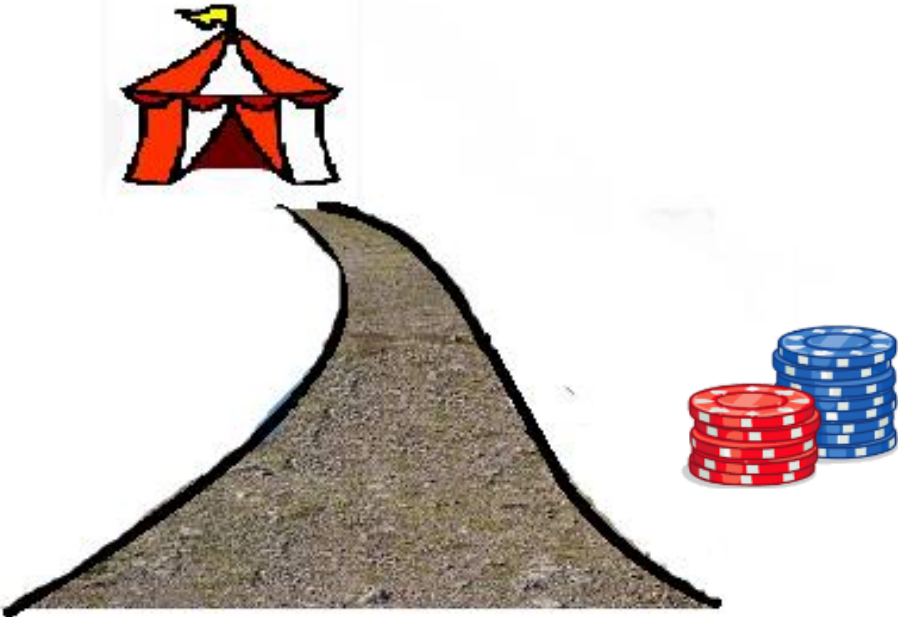
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Toll road



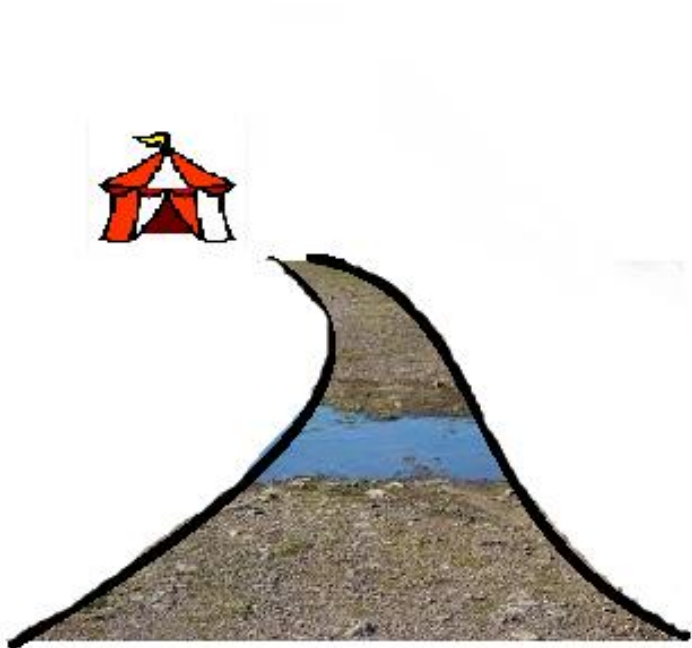
# Sales tax or toll?



# Troll tokens



# Supplier Migration



# Notable results

- Cost of holding coins in purse vs cost of using coins
- Undesirability of reserve-backed tokens
- Preferability of upfront charge to usage tax
- Desirability of specialization in payment method

Thank you

