Comments on: Big Data in Finance and the Growth of Large Firms, by Juliane Begenau & Maryam Farboodi & Laura Veldkamp

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Abstract

"Big Data in Finance and the Growth of Large Firms" (BFV) investigate how big data is connected to firm size via the impact of bid data on cost of external financing. This short comment notes that big data may impact firm size directly via investment.

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The central thesis of Juliane Begenau, Maryam Farboodi, and Laura Veldkamp's paper "Big Data in Finance and the Growth of Large Firms" (BFV) is that big data causes big firms. That is a provocative and interesting statement. Technology shocks and innovation do not, of course, just change productivity narrowly, they can change many aspects of how economic activity is organized. "Disruption" is the currently popular term for process-changing innovation.

So what is big data? A few years ago you could strike up a good conversation at Carnegie Mellon by stopping any undergrad and asking "How big does data need to be before it is big data?" Now, the conversation needs to include VC funding or you do not get much of a reply. Finance, arguably, was the original "big data" social science when in 1960 the University of Chicago founded the Center for Research in Security Prices (CRSP) with the completed data tapes spinning a million-plus data points by 1964.[1] Data growth is of course closely related to computer technology. You might recall that

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[1]See: http://www.crsp.com/about-crsp/history.