Discussion of "Towards a cashless economy: the case of Argentina" by Pedro Elosegui and Santiago Pinto

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Summary of paper

1. What determines the choice of payment method (cash vs electronic) in an economy with an informal sector?
2. Theory model: multiple equilibria; more cash usage if cheaper for both buyers and sellers.
3. Empirics: more cash usage if lower income, less education, smaller local network.
4. This version seems to be a draft.

Comment 1: Equilibrium

1. Buyers choose payment method (same for sellers).

2. Buyers choose m^b, which is the proportion of payments that use credit cards, to maximise utility. That's not right, unless you have central planning!

3. There will be (up to) three possible equilibria:
    1. PSNE where all buyers use cash ($m^b = 0$),
    2. PSNE where all buyers use CC if they can ($m^b = \alpha$),
    3. MSNE ($0 < m^b < \alpha$) only if buyers are indifferent between cash and CC .

Comment 2: Link between theory and empirics needs to be clearer

- The purpose of the theory model should be to develop empirical predictions. But the two parts of the paper seem totally separate!
- Example: a proportion α of buyers can only use cash. This can be used to make predictions about the effect of the informal sector, but it's not mentioned.
- How are education, income, demographic, and socioeconomic factors captured in the theory model?

Concluding remarks

1. Revise theory model so that mixed strategies means agents are indifferent.
2. Paper should be clearer about the purpose of the theory model, and what it predicts.
3. Paper can be further improved with fleshing out, especially on empirical side.