

Discussion of “Monetary Policy and Inequality” by Andersen, Johannesen, Jorgensen and Peydro

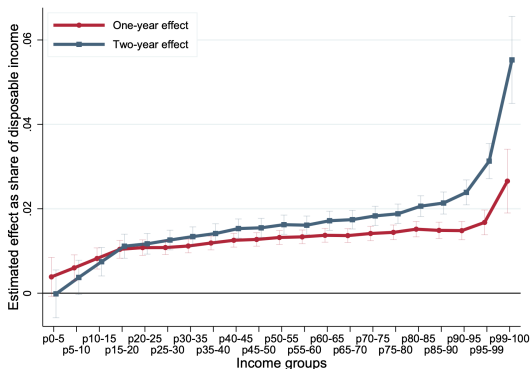
Adrien Auclert

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This paper

- ▶ Provides estimates of the effects of monetary policy on components of disposable income (DI) across the DI distribution in Denmark
- ▶ Finds that all households benefit from accommodative monetary policy shocks, but the top of the distribution disproportionately so



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- ▶ Where potential really is: engage with the issues of the theoretical literature in 2. to help develop the next generation of models.

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 1. Administrative data on both income and wealth
 2. Detailed income breakdown into components (incl. taxes and transfers, interest income and expenses)
 3. Household, not just individual level

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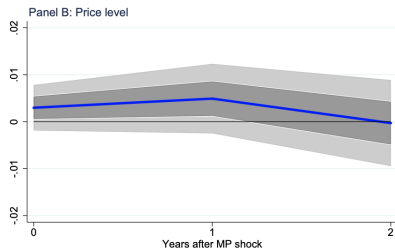
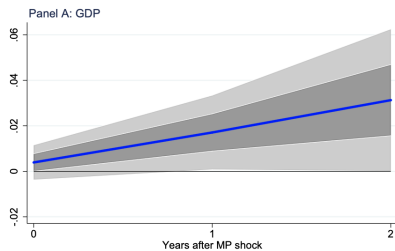
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- ▶ Features 1–4 shared by closely related paper by Holm, Paul, Tischbirek (JPE forthcoming). They do better on 5.

On aggregates: three data points...



Gold standard: look at least 5 years out!

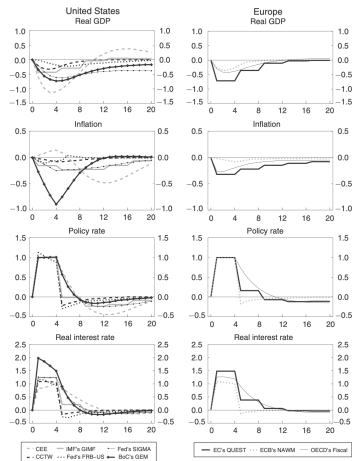


FIGURE 2. EFFECTS OF MONETARY POLICY SHOCK WITH MODEL-SPECIFIC MONETARY RULE

Note: Vertical axis in percentage points—except GDP (in percent); horizontal axis in quarters.

(Source: Coenen, Erceg, Freedman, Furceri, Kumhof et al, 2012)

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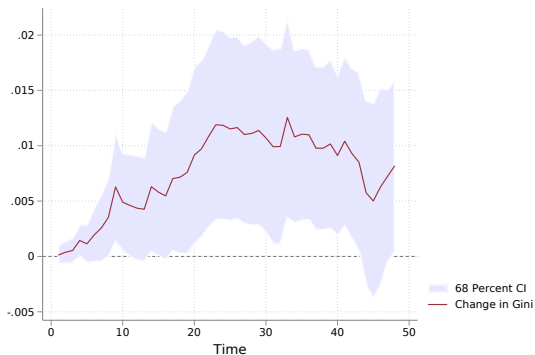
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 - ▶ Obviously in U.S. (cf papers informing 2020 change in Fed mandate)

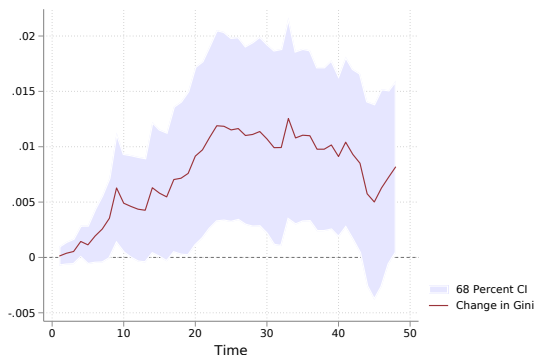
Contradictory finding even in Europe?

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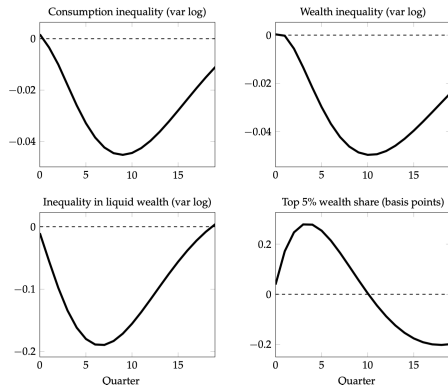


- ▶ Do Δ come from country context? or choice of outcome variable?

Why this matters

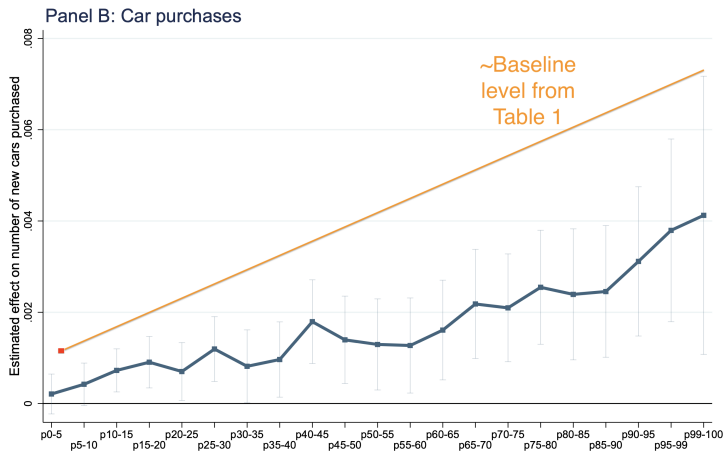
- ▶ Models have subtle implications for inequality effects of mp!
- ▶ Auclert-Rognlie-Straub 2020, -25 basis point shock

Figure 10: The distributional effects of monetary policy



Is consumption inequality going up?

- ▶ Cars clearly an imperfect proxy, but...



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- ▶ Modern “HANK” models have at least 3 state variables (pre-tax income, liquid asset, illiquid asset), possibly also age, etc
- ▶ Key inputs that these models need:
 1. “Incidence of income”, ie how gains from m.p. are distributed across the *post-tax labor income distribution*
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- ▶ Key outcomes that these models produce:
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 5. Changes in distributions of consumption, income, liquid and illiquid wealth, etc.
- ▶ By engaging with this research agenda, the paper can help provide the inputs and outcomes needed to help shape the next generation of monetary policy models!

Conclusion

- ▶ Nice paper on an important topic!
- ▶ Controversial conclusion, should explain difference with prior findings
- ▶ Could have a big influence by engaging with ongoing development of models with heterogeneous agents