

Discussion of: *Monetary Policy and Labor Income Inequality*

Household Heterogeneity Conference, Banque de France

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The views expressed in this paper are those of the authors and are not necessarily reflective of views at the Bank of England.

Summary

- **Question:** Distributional effects of Monetary Policy (MP) on labor income in France.
 - Accounting for intensive and extensive margins
- **Results:**
 - U shaped effect on labor income.
 - different relative impact of the two margins.
 - \neq from previous studies strong effect at the top!
 - Heterogeneous impact of MP linked to other dimensions beyond the income distribution.

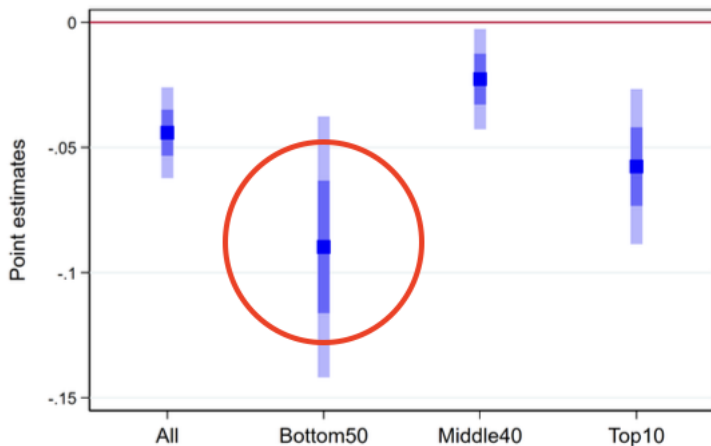
Main Comments

- I really like the idea and the execution. Looking forward to seeing a draft!
- I'll focus my discussion on:
 - 1 Why grouping the bottom 50% together?
 - 2 Dig further into the *intensive margin*
 - 3 Intuition for the results at the top 10%?
- Further comments/suggestions

Comment 1: variation in the bottom 50%

Overall

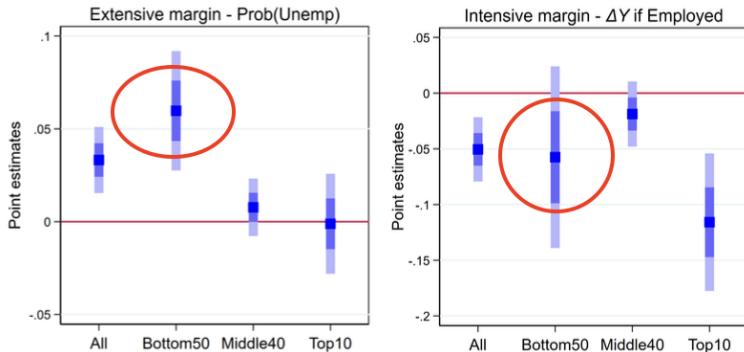
Figure 1: 1-year variation in labor income, in % of labor income



Comment 1: variation in the bottom 50%

Across different margins

Figure 3: Decomposing variations in labor income



Comment 1: variation in the bottom 50%

Implications for inequality

Table 12: Implications for standard measures of inequality

| | Benchmark | After restrictive MP shock | Percent change |
|---------------------------|-----------|-------------------------------|-------------------|
| Gini coefficient | 0.358 | 0.374 | 4.4% |
| Top10 income share | 0.252 | 0.276 | 9.3% |
| Middle40 income share | 0.502 | 0.485 | -3.3% |
| Bottom50 income share | 0.246 | 0.239 | -3.0% |
| Total ineq: Ratio T10/B50 | 5.487 | 4.870 | -11.2% |
| Upper ineq: Ratio T10/M40 | 2.246 | 2.252 | 0.3% |
| Lower ineq: Ratio M40/B50 | 2.444 | 2.162 | -11.5% |

Ratios are between average income for each group.

Comment 2: Intensive margin

Disentangling different channels

- Intensive margin: Δ labor income if continuously employed.
- This can change also if:
 - Individuals **change jobs** (with different pays) during the year.
 - Labor income \uparrow : Hours \uparrow x Wage (**Cantore et al. (2022)**)
 - Labor income \uparrow : Hours x Wage \uparrow

Comment 3: Intensive margin for the top 10%

Intuition

- Do you have a story for the intensive margin effect at the top of the income distribution?
- Golosov et al., 2021:
individuals in the bottom quartile of the pre-win income distribution use most of the increase in unearned income on consumption, while individuals in the top quartile prioritize reducing labor over increasing consumption.

Further comments/suggestions

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- Robustness without income from self-employment.
- [Mincer regression](#) to assign 0 labor income entries along the distribution.
- Do you have data on [welfare transfers](#)?
- Asymmetric effect of monetary policy: do you have enough power for this exercise?
- Larger effect of QE or simply not much variation of conventional policy?

References I

Golosov, Mikhail et al. (2021). *How Americans Respond to Idiosyncratic and Exogenous Changes in Household Wealth and Unearned Income*. Tech. rep. 29000. National Bureau of Economic Research.