

Discussion of: *Five Facts about the Distributional Income Effects of Monetary Policy Shocks*

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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.

Roadmap

Summary

Summary

5 Empirical Facts

about the distributional consequences of Monetary Policy (MP) shocks in Sweden

- 1 Total income effects are U shaped wrt the income distribution.
- 2 The response of labor income is large and significant only at the left tail.
- 3 The response of capital income is significant across the whole income distribution but is particularly large at the top.
- 4 The heterogeneity in labor income response is driven by the earnings heterogeneity channel.
- 5 The heterogeneity in capital income response is driven by the income composition channel.

Comments

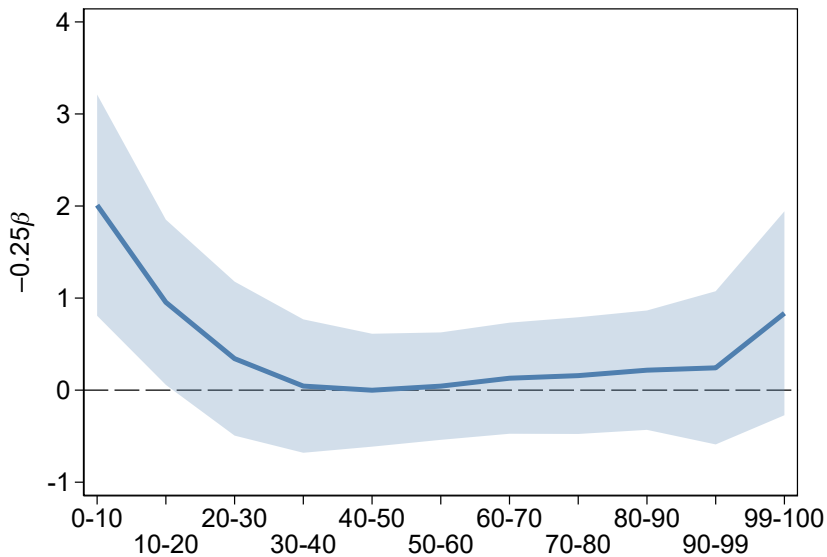
- This paper is now forthcoming in the AER Insights. Congratulations!
- Given this I'll focus my discussion on:
 - Highlight differences with similar analysis on other countries (shameless self promotion!)
 - Possible extensions: digging deeper to rationalize the results on labor income.

5 empirical facts

about the heterogeneous individual-level income effects of monetary policy (MP) shocks

- 1 Total income effects are U shaped wrt the income distribution.
- 2 The response of labor income is large and significant only at the left tail.
- 3 The response of capital income is significant across the whole income distribution but is particularly large at the top.
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B. Labor income



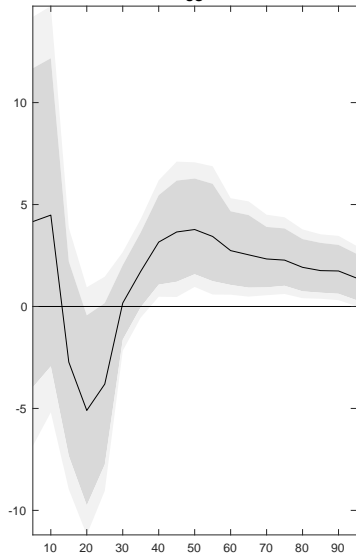
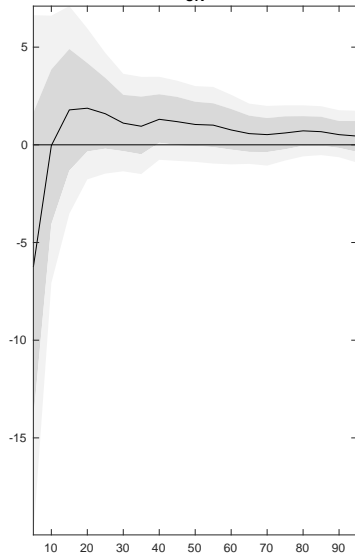
Comment 1: Labor income - relevance for other countries

- *Key objective of the paper is to inform the calibration of HANK-type models.*
- What is the relevance for countries like the US?
- Golosov et al., 2021 combine administrative data with lottery winners in the US: ... *cautions against the use of wealth effects estimates from countries other than the U.S. as inputs for models that are otherwise calibrated or estimated using U.S. data.*

A tale of labor supply and a tale of monetary policy

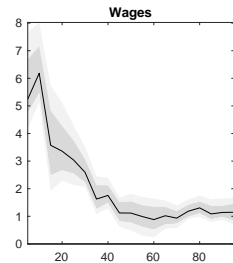
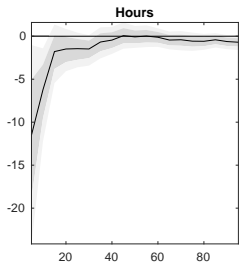
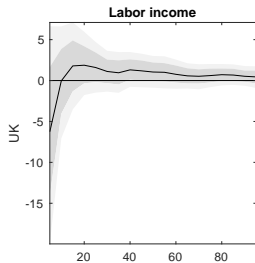
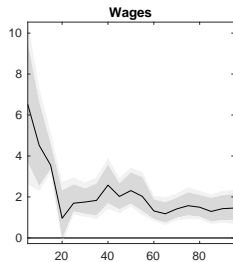
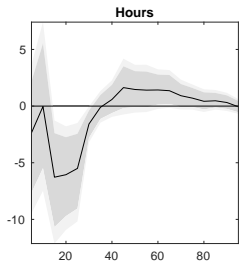
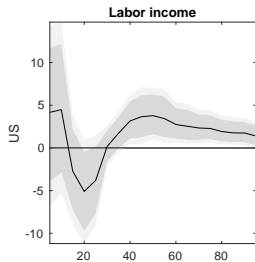
joint with F. Ferroni, H. Mumtaz, A. Theophilopoulou.

- Look at the heterogeneous response of labor supply to MP shocks in US and the UK.
- Use quarterly/monthly survey data (CEX/CPS) + FAVAR with IV identification.
- We can look at the response of labor income, hours and wages across the income distribution.

US**UK**

Comment 2: Labor income - Price or Quantity effect?

- **Is the higher sensitivity of labor incomes to monetary shocks in the left tail of the income distribution driven by wages or labor supply?**
- **What is the role of intensive and extensive margin of labor supply?**
- **What is the role of labor demand?**
- These questions cannot be answered using administrative register data.



What can explain these differences?

- Data type.
- Data frequency + time series length. Using higher frequency + longer timer dimensions helps the identification of MP shocks.
- Focus on *prime-age* workers. (> 26 years old?)
- Institutional and economic differences:
 - Different labor markets
 - Generous welfare system (Sweden) vs limited one (US/UK).

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.