Discussion of: *The Fiscal Channel of Quantitative Easing* by P. Belda, E. Gerba and L.E. Rojas

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Summary

- **Aim:** Study the *Fiscal Channel* of QE.
  - → Simple framework where all fiscal policy tools can be used offset gains/losses from asset purchases.
    - $\neq$ Wallace (1981) the Treasury uses also distortionary taxes and spending, as well as lump sum taxes.
  - → Government spending in utility.

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- **Results:**
  - $\rightarrow$ Wallace (1981) neutrality result is sub-optimal.
  - $\rightarrow$ Optimal way to offset QE losses is via a combination of distortionary taxes and spending cuts. $\rightarrow$ QE non-neutral!
  - $\rightarrow$ With heterogeneous assets and targeted asset purchases: QE $\rightarrow$ risk-sharing device.

Comments/Suggestions

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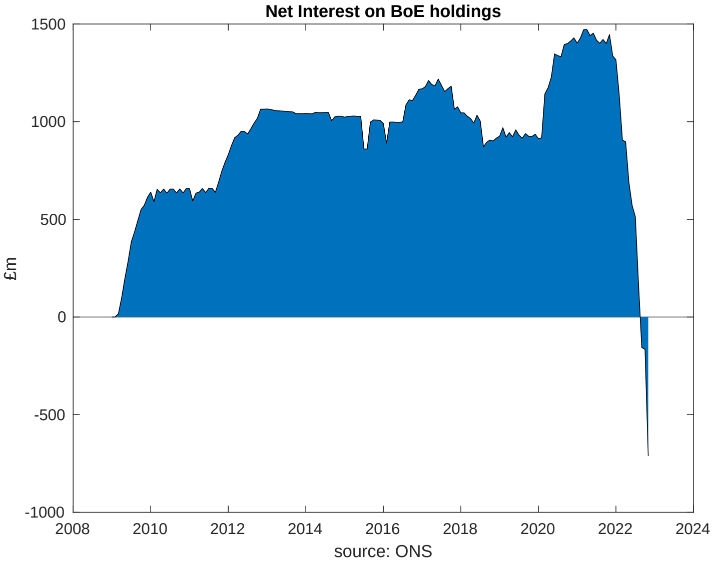
- I'll focus my discussion on:

  1. Evidence, size, timing, and asymmetry of profits/losses
  2. Goverment debt maturity.
  3. Bond in utility.
  4. Active Fiscal Policy.

Comment 1: QE's Profits/Losses



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- Alternative: buying long-term debt.
  - → Most common in practice.
  - → Majority of key references have long-term bonds (Benigno and Nisticó (2020), Cui and Sterk (2020), Del Negro and Sims (2012)).
- Extension needed for the multiperiod model

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  - $\rightarrow$ Usually G in utility only matters with nonseparable preferences.
  - $\rightarrow$ Why here is not the case?
- Less controversial assumption: Bond in utility. *Government debt is net wealth*.
  - $\rightarrow$ Does non-neutrality carry over?

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- Why restrict the analysis only to Passive Fiscal policy?
- How does the normative and positive analysis change with different combinations of tax-financed and debt-financed fiscal policy?