Discussion of
Open economy, redistribution, and the aggregate impact of external shocks
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6th BdF-BoE International Macroeconomics Workshop
Bank of England
3 December 2020

Outline

▶ **This paper**: identifies and tries to quantify several channels in the transmission mechanism of foreign shocks via household heterogeneity.

▶ I have two remarks:

1. How well do your data capture the left tail of the income distribution in Uruguay?

   ▶ Implied average per capita income $>>$ GDP per capita from National Accounts.

   ▶ Almost no difference in the tradeable share in consumption expenditure across groups.

2. Ex ante vs ex post households heterogeneity in HANK.

   ▶ Unobservable ex ante heterogeneity: preferences

   ▶ Observable ex ante heterogeneity: age, education, gender...

Remark I: Are you observing the very poor?

▶ World Bank nominal GDP (GNI) per capita in Uruguay in 2017 is 17,322$ (15,150$) annually which implies 1443$ (1262.5$) monthly.

	Non-HtM	Poor HtM	Wealthy HtM
Population share (%)	23.35	27.14	49.51
Average age	50.23	44.79	53.01
Median monthly income (USD)	2904	1590	1939
Average monthly income (USD)	3661	1832	2317
Has credit cards (% within group)	84.55	46.44	57.64

(a) ECH-EFHU data

	Non-HtM	Poor HtM	Wealthy HtM
Population share (%)	24.11	25.28	50.61
Average age	49.10	43.55	54.03
Median monthly income (USD)	2817	1287	1548
Average monthly income (USD)	3395	1411	1743
Tradable share in consumption expenditure (%)	41.80	45.36	44.03

(b) ENGIH data (imputed)

Remark I: Are you observing the very poor?

▶ There seems to be no difference in the tradeable share in consumption expenditure between different groups.

▶ Poor agents tend to have a larger share of tradeable [Cravino and Levchenko, 2017]. Have you looked at the tradeable share by income decile?

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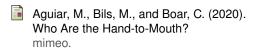
Remark II: Ex ante vs ex post heterogeneity

- ▶ In the Aiyagari-Bewley-Hugget set up agents are ex-ante identical but ex post heterogeneous because of idiosyncratic risk.

- ▶ This then translates into heterogeneous MPC which are the key amplification mechanism in HANK models.

- ▶ How relevant is this for emerging market economies?

- ▶ Low social mobility might be more important than idiosyncratic volatility in income processes.

Remark II: Unobserved ex ante heterogeneity

- ▶ What is the relationship between the spending behavior, HtM status and exposure to foreign assets?

- ▶ [Aguiar et al., 2020] show that preferences heterogeneity, rather than differences in income processes, plays a prominent role in explaining differences in MPCs across consumers in the US.

- ▶ It is households who are typically HtM, not necessarily currently so, that exhibit a greater spending response to an income change.

- ▶ Can preference heterogeneity give you more room for manoeuvre in matching the MPC distribution and the MPC covariance with dollar exposure?

Remark II: Observed ex ante heterogeneity

► Do you have info regarding different fixed characteristics of HtM agents?

► Can you control for compositional differences between the three groups of agents when computing the covariances from the survey data?

► [Kehoe et al., 2020] for the US find that majority of HtM are young, less educated, female (and low income).

► When controlling for these characteristics find no substantial difference in the response of the HtM vs Non HtM.

Aguiar, M., Bils, M., and Boar, C. (2020).
Who Are the Hand-to-Mouth?
mimeo.

Cravino, J. and Levchenko, A. A. (2017).
The distributional consequences of large devaluations.
American Economic Review, 107(11):3477–3509.

Kehoe, P., Midrigan, V., Pastorino, E., and Salgado, S. (2020).
On the Dynamic Effects of Monetary Policy With Heterogeneous Agents.
mimeo.