Referee report on
Welfare and Spending Effects of Consumption Stimulus Policies
by Carroll, Crawley, Frankovic & Tretvoll

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I appreciate the effort and thoughtfulness the authors have demonstrated in addressing the comments raised in the previous submission. Their responses and the additional work they have undertaken to refine the paper are commendable. After carefully reviewing their answers to my earlier concerns, I would like to offer the following comments for further consideration.

Comments

- I thank the authors for computing a model without the splurge factor. The results reported in the appendix suggest that such a model performs remarkably well in matching the most important features in the data, with the minor exception of the highest liquid wealth quartile. Therefore, I believe the paper could benefit from a more thorough motivation for including the splurge factor. For instance, is the distribution of βs in a model without the splurge factor unreasonable? It seems to me that the authors' stated goal in the abstract (to "assess the effectiveness of three fiscal stimulus policies") could be achieved without the somewhat ad-hoc inclusion of the splurge parameter.

- In my previous report, I raised a point regarding the calibration of labor market transition rates across different educational groups. The authors convincingly argue that heterogeneous E to U transitions fit the steady-state data best, as shown by Elsby, Hobijn, and Sahin (2010). However, the same reference also indicates that while separation rates vary across educational groups, they are relatively unaffected by business cycles, whereas job-finding rates exhibit significant variation. From the manuscript, it is unclear to me whether the model reflects this characteristic. On page 9, it is stated that "the employment transition matrix is adjusted so that unemployment remains at the new high level and the expected length of time for an unemployment spell increases," but it is unclear to what extent this adjustment

is driven by changes in E to U versus U to E. Clarifying this would enhance the reader's understanding.

- I very much appreciate the addition of the full HANK model as a robustness exercise. This addition effectively demonstrates that the results are not merely an artifact of the partial equilibrium nature of the initial model, while still allowing readers to draw valuable insights from the latter.