

Discussion of “Explaining International Differences in Inflation Dynamics”

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Motivated and built up nicely

- Empirical evidence is convincing
- Theoretically convincing with Phillips curve expressions
- Compare simulation results with data

Outcomes

- LCPb (Local currency pricing in retail sector whose good is an aggregate of a traded (PCP) non-traded good):
 - High inflation persistence and low inflation volatility
- Price rigidity home and abroad:
 - 1 affects persistence and volatility
 - 2 asymmetric Calvo stickiness can explain differences in persistence and volatility

Quality contribution

Destined for a quality journal

Overwhelming

- Four open economy extensions...
- Plus... two types of LCP, closed/open, asymmetric population size, asymmetric price stickiness)
- A lot of combinations considered.

Open economy extensions

- *Only LCP with retail sector (LCPb)* seems explain differences in inflation dynamics
- Theoretical foundations suggest they can all play a role
- Little differences and little discussion for the many other combinations considered.
- What is significant about LCPa vs LCPb, in terms of inflation dynamics.
- Is LCPb what sets developed vs developing countries apart?

Developed countries

- Can't match persistence, but why should they?
- With good reason, typical explanations are excluded.

Developing Countries

- Do a better job matching persistence; volatility less so
- Differences in policy targets and persistence are excluded.
- Asymmetric Calvo stickiness is unsatisfying, misaligned with paper's purpose.
- DSGE is calibrated to a developed country.

"Matching" is too ambitious

- Does not align with the purpose of the paper.
- More metrics on explanatory power of international dimensions.