Discussion of

Money and Banking in Emerging Economies

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     - — this paper!

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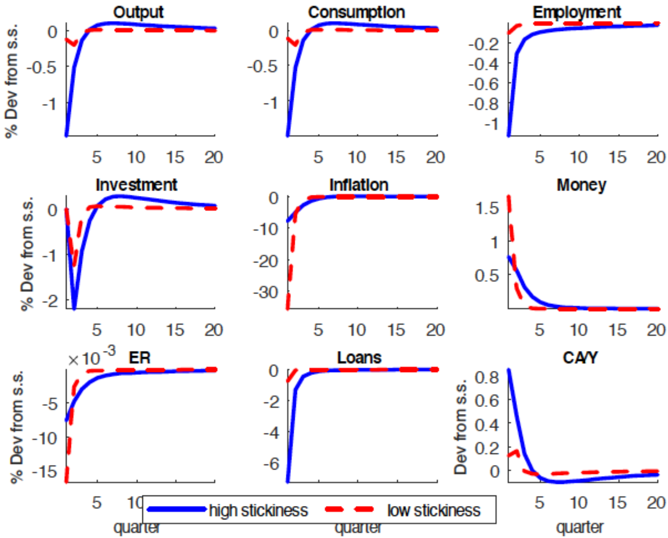
6. Shocks: two productivity shocks, monetary, gov't spendings, taxes, oil prices, world interest rate, foreign demand

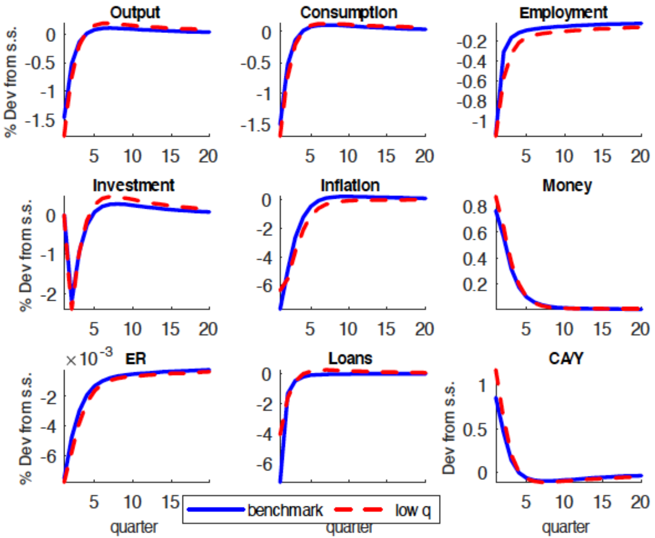
Impulse Response to Monetary Shock

Price Stickiness



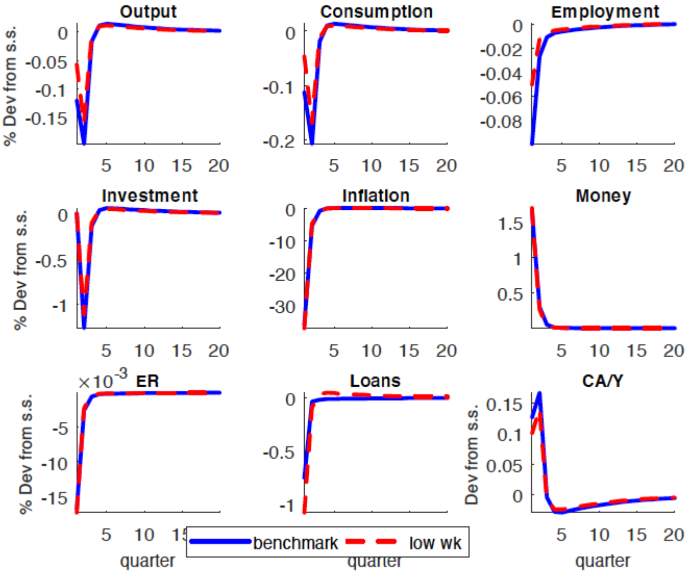
Impulse Response to Monetary Shock

Costly State Verification Friction



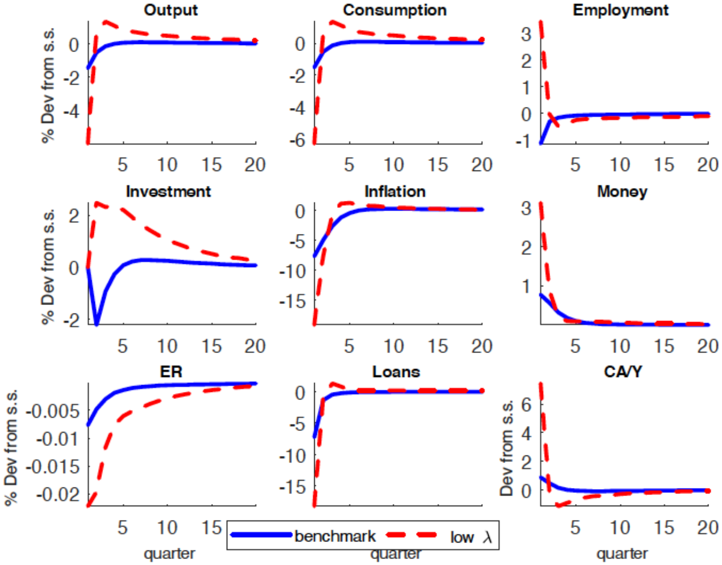
Impulse Response to Monetary Shock

Working Capital Constraint



Impulse Response to Monetary Shock

Share of HtM Households



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  - direct effect of interest rates through the EE decreases
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- Which underlying assumption fails in this model?
  - acyclical income risk (cyclical profits)
  - acyclical liquidity (international borrowing)
  - while fail in most HANK models, the deviations are quantitatively small

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2. **Financial frictions** in international asset markets:
   - **free capital mobility** $\Rightarrow$ the UIP holds (Itskhoki-Mukhin'17)
   - **no original sin** $\Rightarrow$ gov't can borrow internationally in LC
   - **no collateral constraint** $\Rightarrow$ no sudden stops (Bianchi'11)

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  - compare to the empirical VAR estimates
- Complement with unconditional moments
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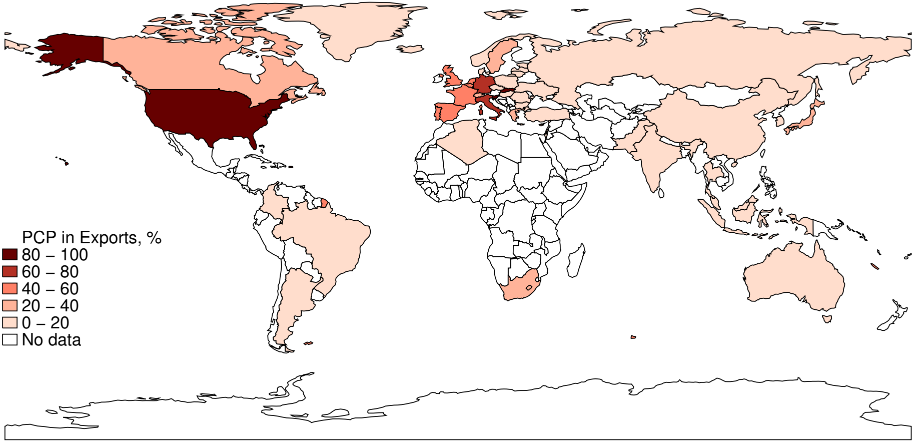
- Horserace against simpler models
  - which **frictions** are really crucial?
  - which **shocks** drive business cycles?

Minor Comments

- Is consumption of entrepreneurs part of the aggregate demand?
- Is microfounded CSV really crucial?
- Why do banks charge no risk premium? Is there no aggregate uncertainty about loan returns?
- Given exogenous taxes and gov't spendings, what ensures that the gov't budget is balanced?
- Include other commodities when calibrating oil input share
- Can one drop money and consider the cashless limit?
- Does the calibration of Calvo parameter take into account price indexation?
- Include wealthy hand-to-mouth in the calibration
- Does the approximation of equilibrium conditions take into account the non-zero steady-state inflation?

APPENDIX

PCP in Exports



Source: Gopinath (2016)

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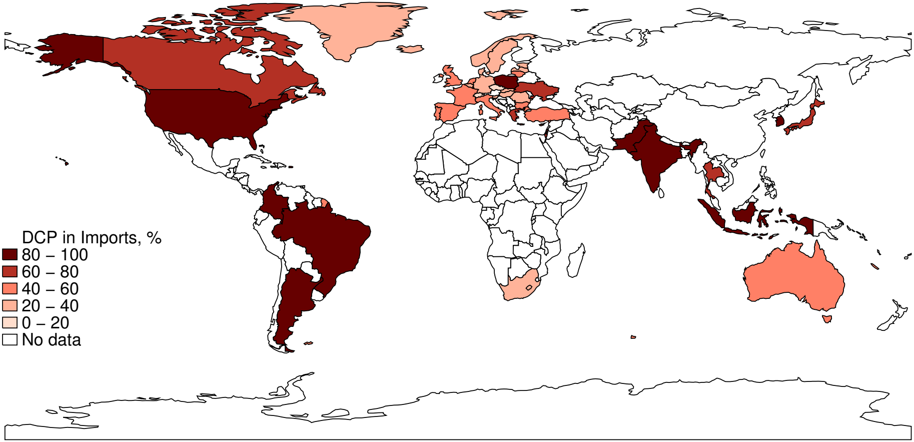
DCP in Imports



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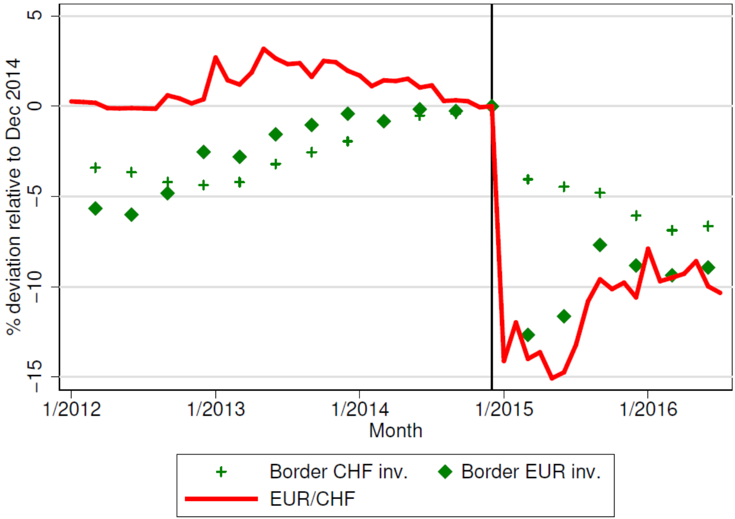
Currency Choice and the Pass-Through



Source: Auer, Burstein, and Lein (2018)

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