

NON-LINEAR MACRO AND DISTRIBUTIONAL EFFECTS OF US MONETARY POLICY

BY SILVIA ALBRIZIO, JULIA ESTEFANIA FLORES AND DAVIDE FURCERI

Discussion by Myroslav Pidkuyko

Banco de España

LABOR MARKET AND MONETARY POLICY

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- **In a nutshell**
 - Macroeconomic and distributional effects of conventional and unconventional monetary policy
- **Main results**
 - **Expansionary vs contractionary**
 - *Mostly symmetric for aggregates*
 - *Asymmetric effects on inequality: stronger effect of monetary tightening*
 - **Recession vs expansion**
 - *Response of consumption inequality is stronger in recessions – via increase in transfers*
 - **Conventional vs unconventional**
 - *Unconventional policy is as effective for economy as the conventional one*
 - *Also for inequality*

Explore rich heterogeneity of the CEX (1)

- **Wealth data not reliable in the CEX**
- **Proxy by housing tenure status as suggested by Cloyne and Surico (REStud, 2017) and Cloyne, Ferreira and Surico (REStud, 2020)**
- **Most of the response in consumption to monetary policy shocks is driven by mortgagors**
- **What about consumption inequality?**
- **Two possible issues:**
 - **Endogenous changes in group composition**
 - *“Traditional” (conventional) monetary policy shocks do not trigger endogenous changes in the housing tenure status*
 - *Potentially new result/stylized fact with unconventional and/or state-dependent monetary policy*
 - **Endogenous selection**
 - *Use propensity score method to deal with endogenous compositional change*
 - *Attanasio, Banks and Tanner (JPE, 2002)*
 - *Estimate probability of being in a particular group using household characteristics*

(Very) rough calculations (1)

	Renters	Mortgagors	Outright owners
Net financial wealth	838	3000	3500
Net housing wealth	0	84143	154051
Labor income	13863	29790	17318
Non-durable consumption	9371	14233	12346
Total consumption	10532	16486	13802
Labor Income Gini	0.52	0.37	0.46

Source: 2014 wave of Spanish Survey of Household Finances (EFF2014)

Explore rich heterogeneity of the CEX (2)

- **Age/Cohort component can be important for monetary policy transmission, more so for the inequality**
- **Arlene Wong “Refinancing and the Transmission of Monetary Policy to Consumption”, 2020 (earlier “Population Aging and the Transmission of Monetary Policy to Consumption”)**
 - Very large response of consumption to monetary policy shocks for the young (also for the homeowners)
- **Potentially different/interesting cohort effects**
 - Some young households enter labor market during the conventional monetary policy period, some during the unconventional one
 - What are the spillovers to inequality?
- **Address and connect with wider literature (heterogeneous effects of monetary policy, OLG literature, HtM literature, etc) and potentially many interesting results**

(Very) rough calculations (2)

	Young (pre-crisis)	Young (post-crisis)
Net financial wealth	1292	700
Net housing wealth	7214	0
Labor income	18143	13062
Non-durable consumption	11818	7659
Total consumption	15498	8421
Labor Income Gini	0.35	0.41

Source: 2002 and 2014 waves of Spanish Survey of Household Finances (EFF2004 & EFF2014)

- **Dig deeper into the extensive vs intensive margin of labor income/earnings**
 - Higher unemployment and lower wages and salaries explain increase in earnings inequality
 - A way to use CEX itself (perhaps, panel dimension) to control and identify which channel dominates?
- **Consumption vs expenditure inequality + mismeasurement**
 - Frequency of purchase has different effects on consumption vs expenditure inequality
 - Coibion, Gorodnichenko and Koustas “Consumption Inequality and the Frequency of Purchases”, 2020
 - Which one is the true measure of inequality trends? What is the best tool for policy making?
- **Three different measures of inequality, a lot of results**
 - Some measures give quantitatively (but not qualitatively) different results – mainly for income
 - Where do the differences come from? Do we need to have all 3?
- **Minor: Figure 14 (Gini and P90-P10) plots positive vs negative shocks instead of conventional vs unconventional**

- **Very interesting paper with many important results**
- **Policy-relevant**
 - From the monetary-policy perspective: expansionary vs contractionary policy, conventional vs unconventional – very relevant now
 - Application of those concepts to inequality – a lot of debate right now
- **A great addition to the literature studying monetary policy using micro data**
 - Way to use as a toolbox for this sort of analysis
- **A lot of potential**
 - The data is already there - why not use all the heterogeneity that is available

THANK YOU FOR YOUR ATTENTION

