Comments to “Workers, Capitalists, and the Government: Fiscal Policy and Income (Re)Distribution” by Cristiano Cantore and Lukas Freund

Juan Pablo Medina
Business School
Universidad Adolfo Ibáñez, Chile

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Outline

• Comparison with other TANK models

• How all pieces in the paper fit together
Comparison with other TANK models (1)

• Main message: propose an alternative TANK model that is better equipped to match micro data and macro predictions of fiscal policy. Some shortcomings: Is a small fiscal multipliers a big problem for the proposed model?

• Where is the focus and its connection with the title?
Comparison with other TANK models (2)

• What are the TANK models less tractable?
  • HANK models are less tractable

• Is it possible to compare the propose model more precisely with benchmark TANK models?
  • Debortoli and Galí (2018)
  • Galí, Lopez-Salido, and Valles (2007)

• For instance, reproduce IRF of Galí et al (2007) and compare with the proposed model
How all pieces in the paper fit together: different models, different evidence

• Section 2:
  • sketch of the proposed TANK model and its comparison with the benchmark TANK (UH) model
  • Table 1: Full log-linearized model (used in section 3), but without the full exposition
  • MPC: Evidence on lottery winnings and predictions across TANK models. Table 1 is the full model. Missing a better presentation of the partial EQ model? (No persistence in income windfall in the model? Micro predictions to govt shocks with some persistence?)
  • What is the precise model with income effects in the labor supply?

• Section 3:
  • Three TANK models with fiscal policy and evidence VAR (why investment response?)
  • No Govt debt, spending, taxes at the steady state
  • Medium-scale models (investment, wage rigidities, Govt SS ≠ 0, etc)

• Long appendix
Summary

• Very interesting paper! I learned a lot!

• Many approaches to emphasize the message of the appealing of the proposed TANK model. Less about the shortcomings.

• Some concerns regarding
  • The focus of the paper
  • The critical comparisons for the proposed model
  • The exposition of the different models and how the different pieces fit together