

The Impact of Monetary Policy on Functional Income Distribution: a Panel SVAR Analysis (1970-2019)

BY STEFANO DI BUCCHIANICO AND ANTONINO LOFARO

Paper Discussion by Simona Giglioli

IARIW–Bank of Italy conference “Central banks, financial markets, and inequality”
March 30th, 2023, Naples, Italy

Panel SVAR analysis of the impact of contractionary monetary policy on functional income distribution.

Four main contributions:

1. address impact of monetary policy on real wages and the labor share in the long run;
2. apply panel SVAR methodology;
3. use a novel database of 15 countries for 1970-2019;
4. identify two channels for monetary policy transmission.

Explore heterogeneity across countries' labor markets

- Cost of dismissal, separation rate, ease of making fixed-term contracts? (→ share of fixed-term contracts over total employment)
- Consider the OECD Employment Protection Legislation Index: e.g. subsamples of countries above and below the median

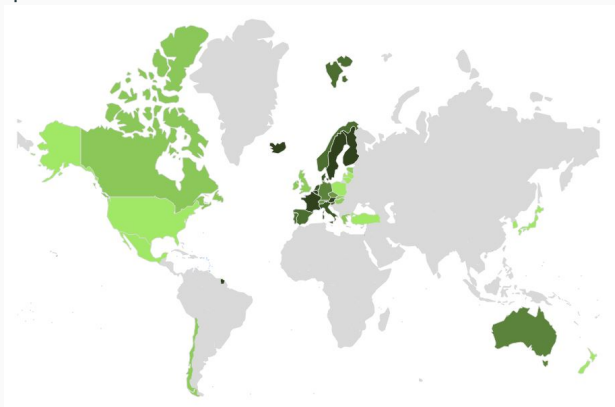


Figure 1: Collective bargaining coverage (%). Source: OECD.

Other comments and further possible analyses

- Add more details on the labor share measure (Krueger 1999, Gomme & Rupert 2004, Torrini 2015, ILO 2019)
- Plot IRFs for single countries in Appendix
- Explore sectoral heterogeneity
- Are the results symmetric if we consider an expansionary monetary policy shock?
- What would be the impact of unconventional monetary policy?

References

- Data Production and Analysis Unit, ILO Department of Statistics, 2019. "The Global Labour Income Share and Distribution: Methodological Description"
- Paul Gomme and Peter Rupert, 2004. "Measuring Labor's Share of Income, Policy Discussion Paper No. 7", Policy Discussion Papers (Federal Reserve Bank of Cleveland)
- Alan B. Krueger, 1999. "Measuring Labor's Share" The American Economic Review, Vol. 89, No. 2, Papers and Proceedings of the One Hundred Eleventh Annual Meeting of the American Economic Association, pp. 45-51
- Roberto Torrini, 2015. "Labour, Profit and Housing Rent Shares in Italian GDP: Long-Run Trends and Recent Patterns" *Politica economica*, Società editrice il Mulino, issue 3, pages 275-314.