Discussion of:
A Non-linear Analysis of the Macroeconomic Impact of Changes in the Pasinetti Index in the U.S.

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THE PAPER

- While policymakers and mainstream economists have expressed concerns over the distributional impacts of monetary policy after the emergence of so-called Unconventional Monetary Policies (UMP), Post-Keynesian authors (since Keynes's 'euthanasia of the rentier') have dedicated inumerous works to this issue

- The authors focus their attention on the "fair" interest rate developed by Luigi Pasinetti, which came to be known later as the Pasinetti Index (PI)

- The Pasinetti index: $PI = i - \pi - \lambda$. When it is positive (negative), income is flowing to (away from) rentiers

THE PAPER (Continued)

- The paper develops an econometric analysis of the connection between the PI, the functional income distribution, and the aggregate demand for the US from 1968 to 2022 using a threshold vector autoregressive model.
- Results show that the economy has moved from the stable but volatile Keynesian era toward a less volatile but uncertain period in which monetary policy is employed to protect the income and wealth of rentiers.
- Moreover, the work also shows that switches to rentier-biased regimes are highly detrimental to aggregate demand and functional income distribution.

Suggestions

- The empirical strategy is interesting. A non linear approach is correct for the question at hand: to understand if the sign (and the level) of the Pasinetti index has different impacts as predicted by theory. There are however, some caveats:
- The authors should indicate how informative their priors are (bayesians estimates are very sensitive to priors)
- The authors might calibrate a threshold value of the Pasinetti index to zero as predicted by theory (they should set to zero the variance of the threshold prior) and see what happens to the results
- Assuming that the Pasinetti index (equal to $i - \pi - \lambda$) does not depend on contemporaneous economic conditions is quite strong. They should endogenize it at least to the capacity utilization (if they don't want to add any other variable)
- The author should derive impulse response of the differences based on the distribution deriving from the bayesian draws