Discussion of
Ampudia, Ehrmann, Strasser

The effect of monetary policy on inflation heterogeneity along the income distribution

by Alfonso Rosolia
Banca d'Italia

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Observable gauge of π_t:

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Comparing household specific HICPs:

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$\rightarrow$ "Inflation" exits the picture.

1. Look directly at δ_{jt}.

Estimate IRF$(p_j; \epsilon)$ or more structural approach (e.g. Reis&Watson, 2010) to single out π_t and δ_{jt}'s and average item-specific components using budget shares at given date or average over time

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2. Place households of member countries in EA income distribution (HFCS) and look more closely at country heterogeneity in price developments when documenting EA responses

$$\text{IRF}^{EA}(\text{HICP}_d; \epsilon) = \sum_j \sum_c \text{IRF}(p_{jc}; \epsilon) S_j(h_c \in \text{EA}_d)$$

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3. Drop "differential inflation". Potentially confusing, especially if from a CB, as it suggests multiple benchmarks to assess CB performance.

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Thank you.