Discussion of
*Open economy, redistribution, and the aggregate impact of external shocks*
by Haonan Zhou

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Bank of England
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I have two remarks:

1. How well do your data capture the left tail of the income distribution in Uruguay?

   Implied average per capita income >> GDP per capita from National Accounts.

   Almost no difference in the tradeable share in consumption expenditure across groups.

2. Ex ante vs ex post households heterogeneity in HANK.

   Unobservable ex ante heterogeneity: preferences

   Observable ex ante heterogeneity: age, education, gender...
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Remark I: Are you observing the very poor?

World Bank nominal GDP (GNI) per capita in Uruguay in 2017 is 17,322$ (15,150$) annually which implies 1443$ (1262.5$) monthly.

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(a) ECH-EFHU data

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- Poor agents tend to have a larger share of tradeable [Cravino and Levchenko, 2017]. Have you looked at the tradeable share by income decile?

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▶ In the Aiyagari-Bewley-Hugget set up agents are ex-ante identical but ex post heterogeneous because of idiosyncratic risk.

▶ This then translates into heterogeneous MPC which are the key amplification mechanism in HANK models.

▶ How relevant is this for emerging market economies?

▶ Low social mobility might be more important than idiosyncratic volatility in income processes.
Remark II: Unobserved ex ante heterogeneity

- What is the relationship between the spending behavior, HtM status and exposure to foreign assets?

[Aguiar et al., 2020] show that preferences heterogeneity, rather than differences in income processes, plays a prominent role in explaining differences in MPCs across consumers in the US.

It is households who are typically HtM, not necessarily currently so, that exhibit a greater spending response to an income change.

Can preference heterogeneity give you more room for manoeuvre in matching the MPC distribution and the MPC covariance with dollar exposure?
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- Do you have info regarding different fixed characteristics of HtM agents?

[Kehoe et al., 2020] for the US find that majority of HtM are young, less educated, female (and low income).

When controlling for these characteristics find no substantial difference in the response of the HtM vs Non HtM.
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