

Global Value Chains and the Phillips Curve: A Challenge for Monetary Policy by Florio, Siena & Zago

Discussion at the 10th Joint BoE/BdF/BdI International Macroeconomics Workshop

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October 2024

The views expressed herein are those of the author and not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System

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- Data: EMU11, 2002-2022
- Discussion will mainly comment on the three empirical specifications

Comment 1: Choice of Instruments

$$\begin{aligned}\pi_{i,t}^{Core} &= \alpha_i + \kappa \hat{u}_{i,t} + \gamma_1 \mathbb{E}(\pi_{i,t+4}) + X'_{i,t} \gamma_2 \\ &+ \sum_{j=\{part., pos.\}} \left\{ \kappa_j \hat{u}_{i,t} GVC_{i,t-4}^j + \delta_j GVC_{i,t-4}^j \right\} \\ &+ \kappa_{GR} \hat{u}_{i,t} \times \textit{After}_{GR} + \delta_{GR} \textit{After}_{GR} + \epsilon_{i,t}\end{aligned}\tag{1}$$

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3. Shift-share instrument?

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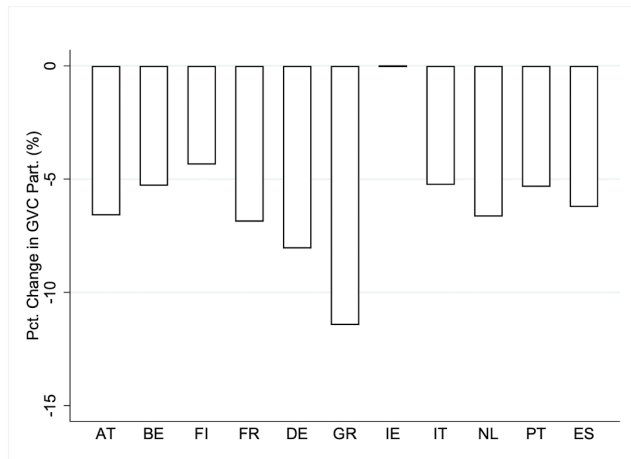
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2. Robustness wrt length of discounted future unemp? (HHNS use 20)

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(a) GVC Participation

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- **Aquilante-Dogan-Firat-Soenarjo (2024):** Source of GVC integration matters for inflation dynamics!

Conclusion

- Nice paper!
- Focus on identification and robustness of empirical specification
- Which mechanisms are most important?

Thank you!