Comments on

Sticky Prices and Monetary Policy: Evidence from Disaggregated US Data

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This paper…

- Large dataset of sectorial prices and other macro series
- Analyzed through the lens of a FAVAR
- Estimate of the effects of
  - Monetary policy shocks
  - Sector-specific shocks

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- Large dataset of sectorial prices and other macro series
- Analyzed through the lens of a FAVAR
- Estimate of the effects of
  - Monetary policy shocks
  - Sector-specific shocks
- Plenty of information and results!!!

Outline of my Comments

1. What are the lessons for theory?

2. The response of relative prices to MP shocks

Three models

Time dependent		
Menu Costs		
Optimal allocation of attention		

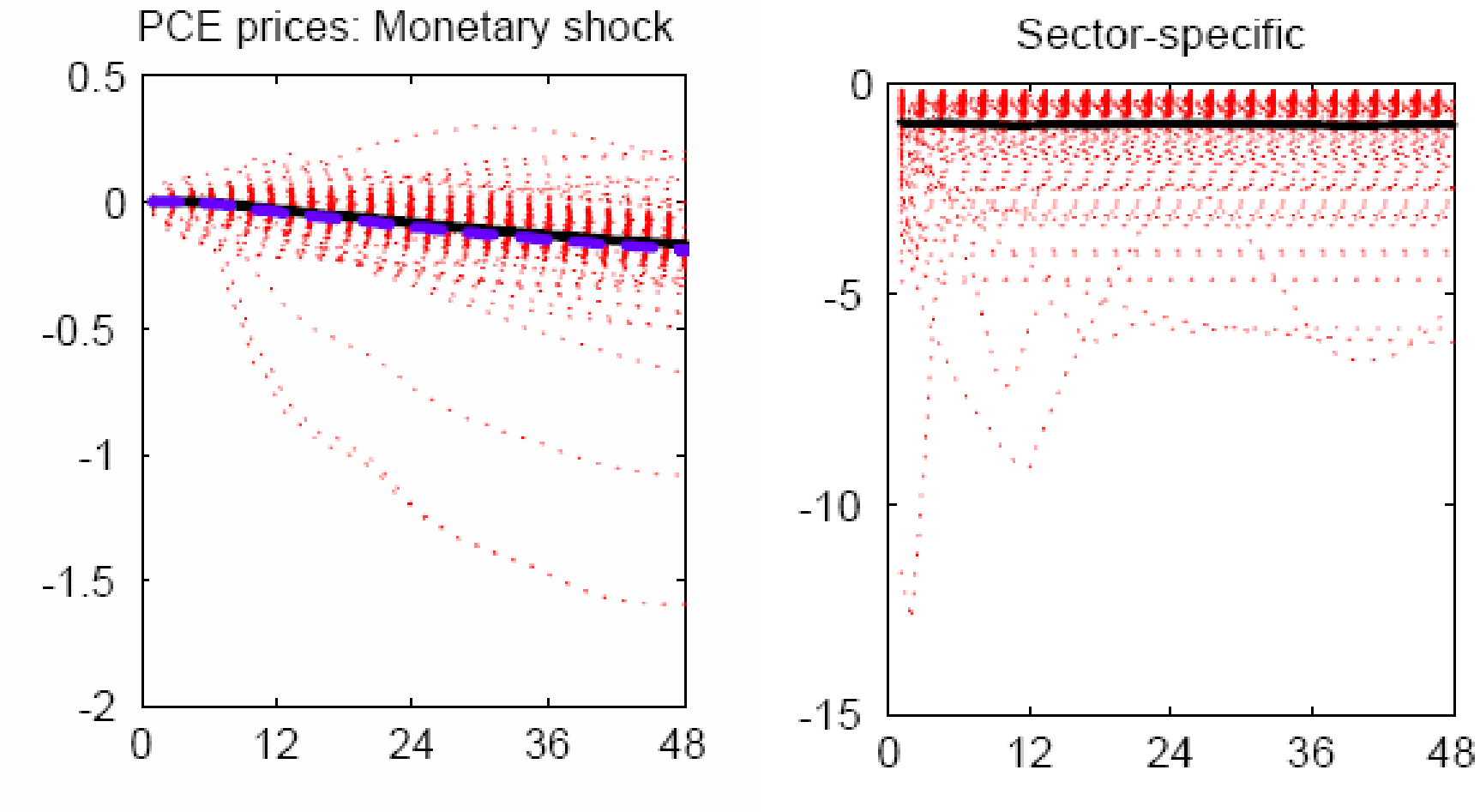
Three models

	Result 1	Result 2
Time dependent		
Menu Costs		
Optimal allocation of attention		

Result 1

- Sectorial prices respond quickly to sector-specific shocks
- Sectorial prices respond very gradually to MP shocks

Result 1


PCE prices: Monetary shock
0.5
0
-0.5
-1
-1.5
-2
0
12
24
36
48
Sector-specific
0
-5
-10
-15
0
12
24
36
48

Three models

	Result 1	
Time dependent		
Menu Costs		
Optimal allocation of attention		

Three models

	Result 1	
Time dependent	X	
Menu Costs		
Optimal allocation of attention		

Three models

	Result 1	
Time dependent	X	
Menu Costs	X	
Optimal allocation of attention		

Three models

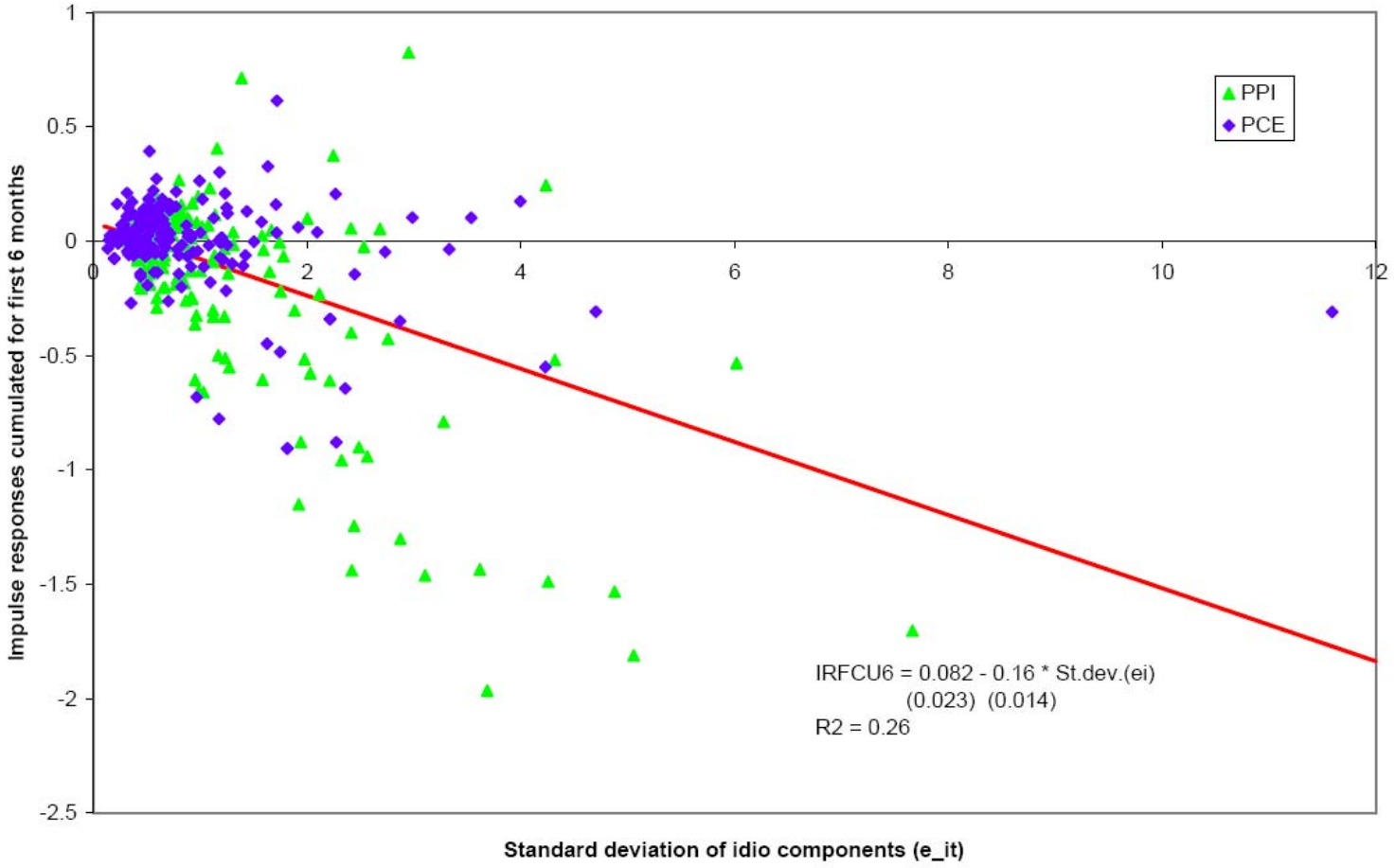
	Result 1	
Time dependent	X	
Menu Costs	X	
Optimal allocation of attention	☑	

Result 2

- Positive correlation between speed of response to MP and volatility of sector-specific shocks

Result 2

Figure 6: Impulse responses to monetary shock and volatility of sector-specific components



Three models

	Result 1	Result 2
Time dependent	X	X
Menu Costs	X	
Optimal allocation of attention	☑	

Three models

	Result 1	Result 2
Time dependent	X	X
Menu Costs	X	☑
Optimal allocation of attention	☑	

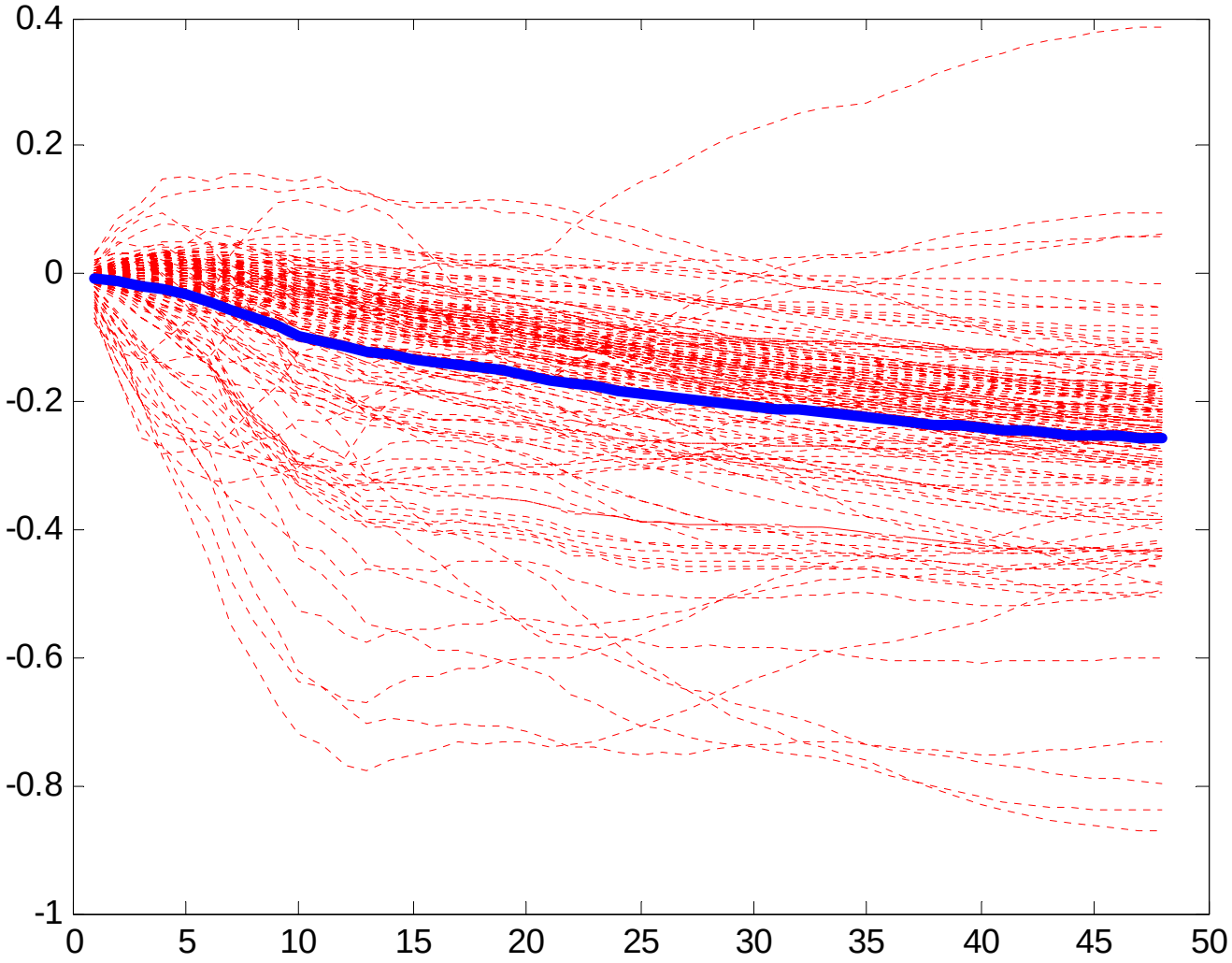
Three models

	Result 1	Result 2
Time dependent	X	X
Menu Costs	X	☑
Optimal allocation of attention	☑	X

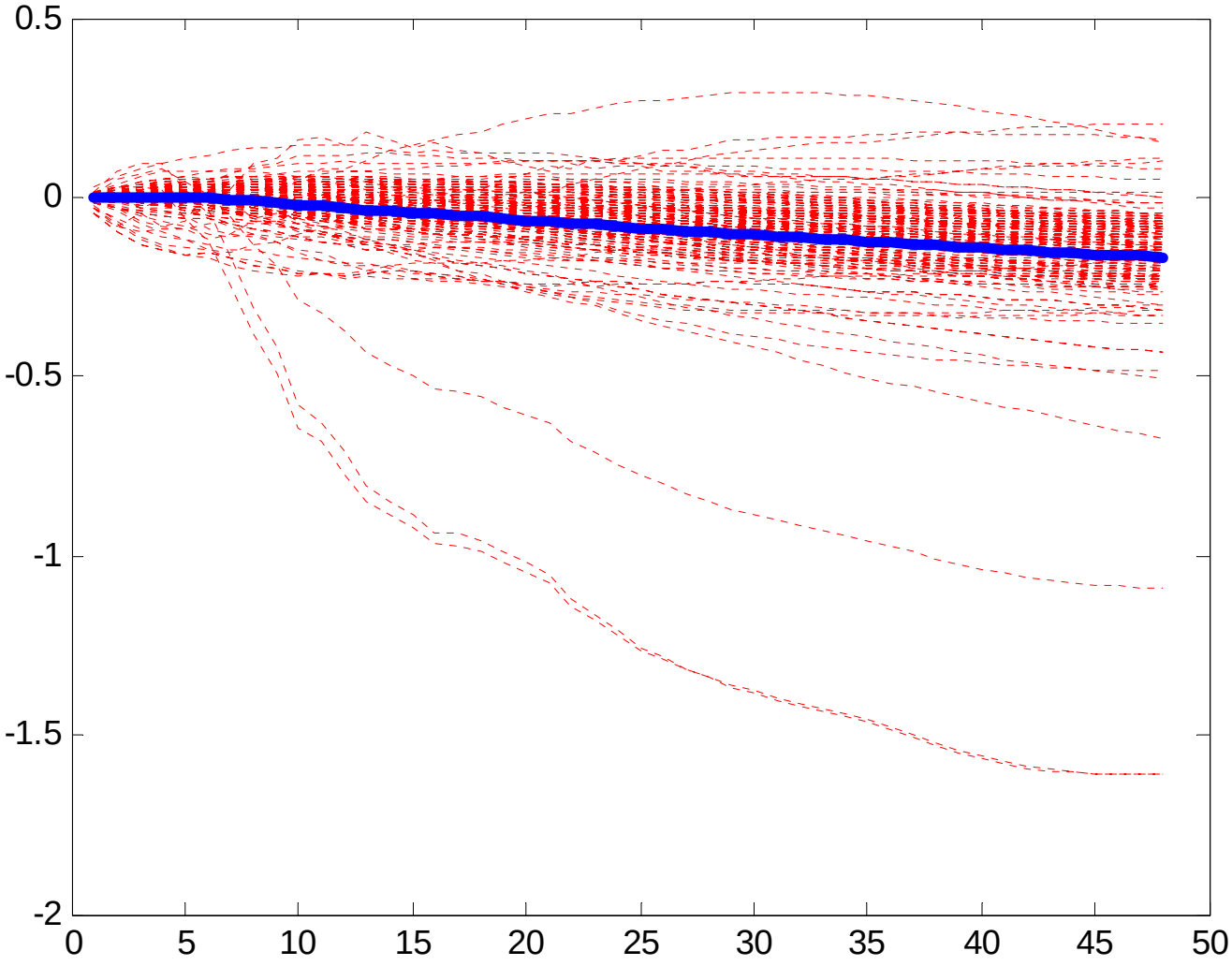
Three models

	Result 1	Result 2
Time dependent	X	X
Menu Costs	X	☑
Optimal allocation of attention	☑	X

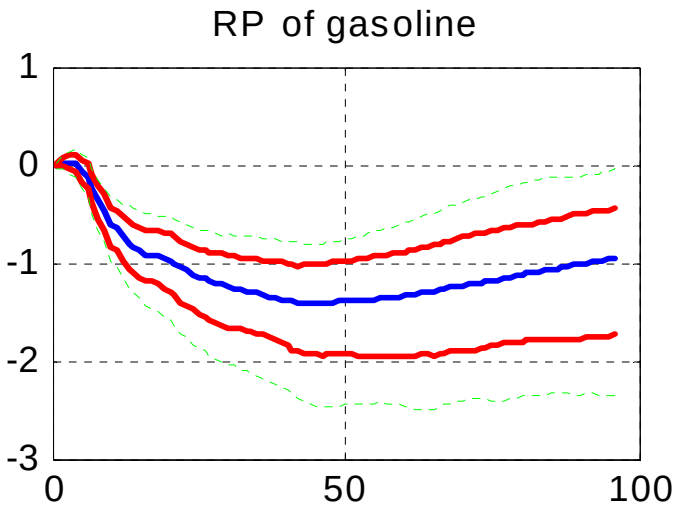
The response to a MP shock (PPI)

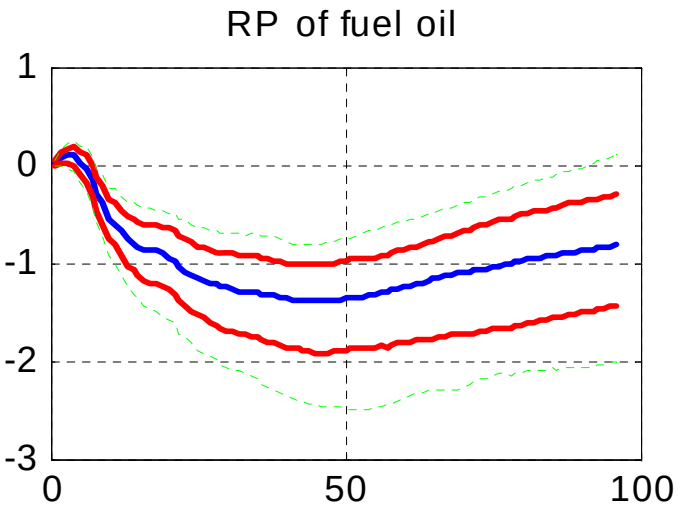


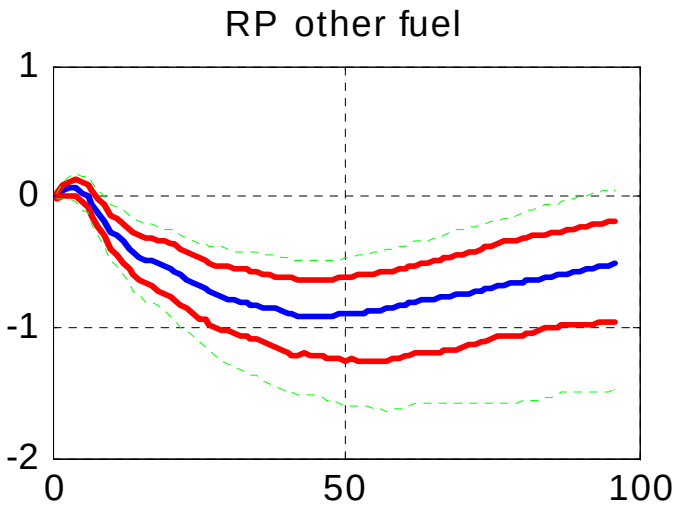
The response to a MP shock (PCE)

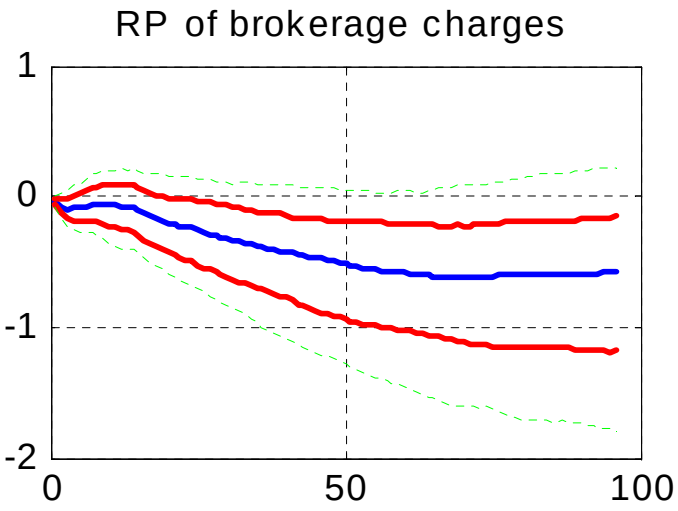


The response of relative prices to a MP shock

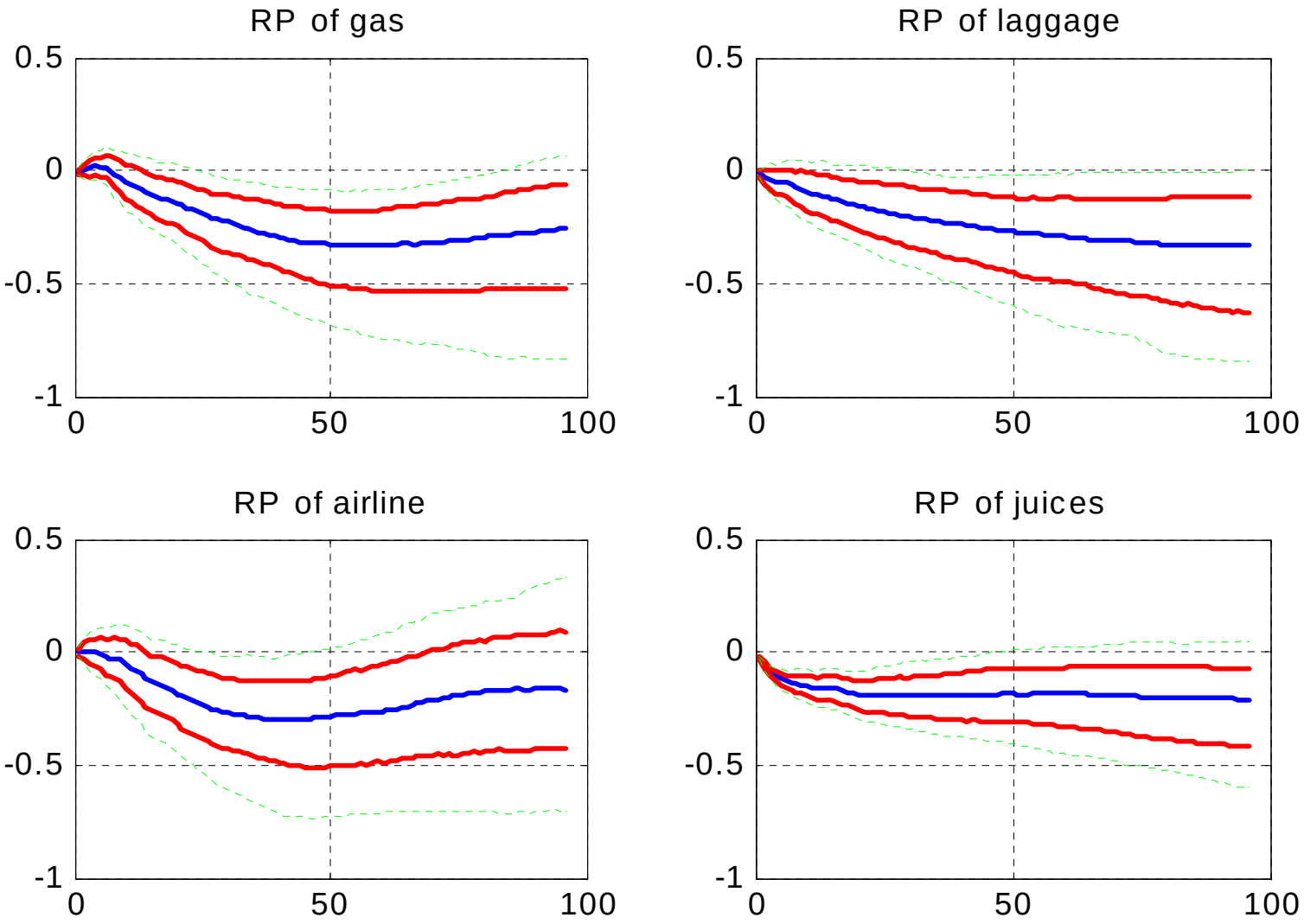




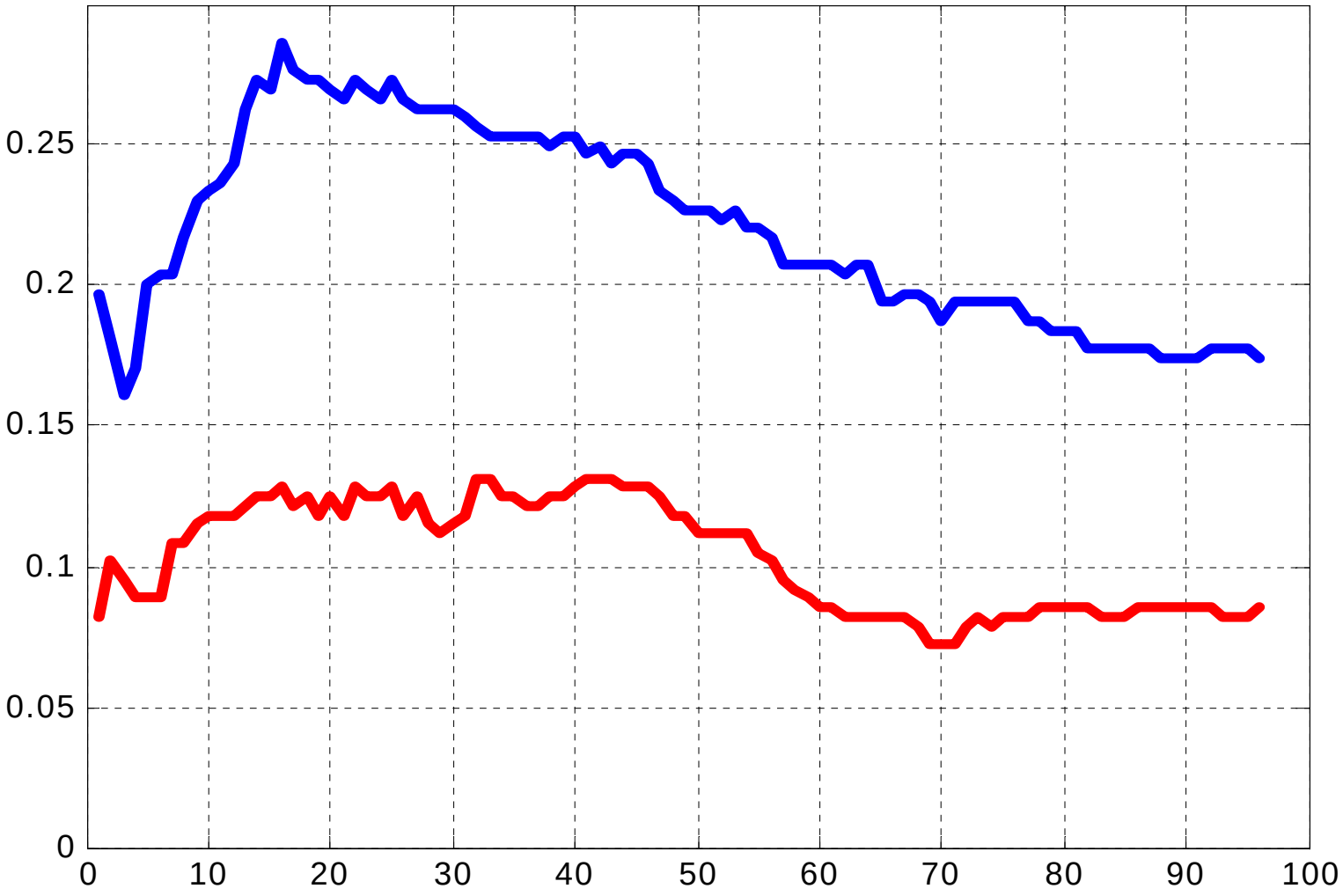




The response of relative prices to a MP shock



Fraction of relative prices with statistically significant positive or negative effect



The response of relative prices to a MP shock

- MP seems to have a very persistent and significant effect on relative prices

- Contrast the conventional view

The response of relative prices to a MP shock

Relative prices with largest negative effect	Mean duration of price change (Bils and Klenow, 2004)	Frequency of price change (Bils and Klenow, 2004)
Gasoline	0.6	78.9
Fuel oil	1.3	52.5
Other fuel	1	61.8
Brokerage charges and investment counseling	-	-
Gas	1	64.2
Luggage for females	2.6	31.9
Luggage for males	2.6	31.9
Airline	0.9	69.1
Juices and nonalcoholic drinks	2.4	33.7

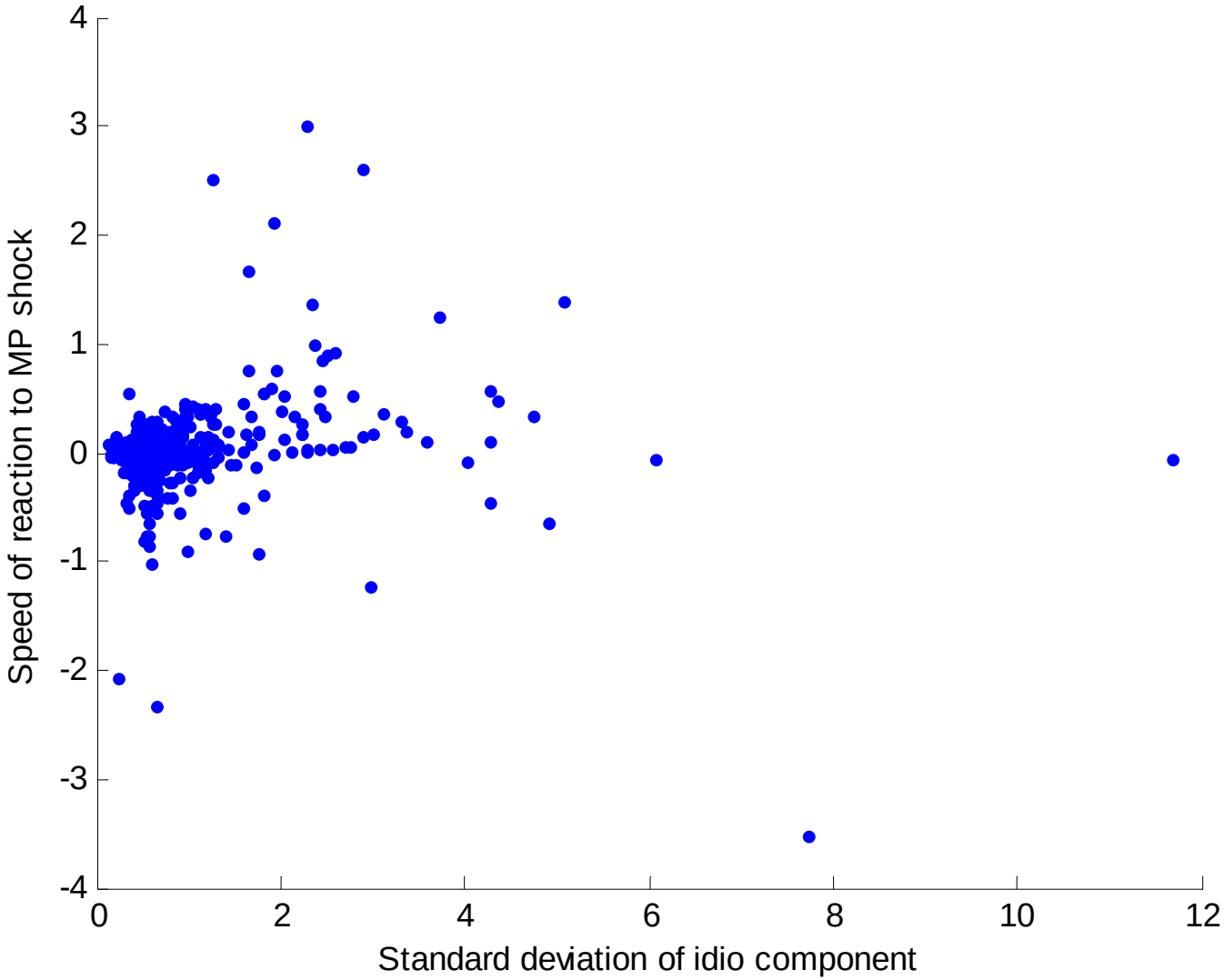
Interpretation

- Multi-sector model?
- Correct identification of MP shock?

Result 2: A Rough Fix

- Standardize by the long run effect

Result 2: A Rough Fix



Result 2: A Rough Fix

- Standardize by the long run effect

Speed of response = *0.024* + *0.021* * *s.d. idio comp*

(0.06) (0.038)

Three models

	Result 1	Result 2
Time dependent	X	?
Menu Costs	X	?
Optimal allocation of attention	☑	?

Conclusions

- Real world?

  Combination of
  - Gertler and Leahy (2005)
  - Mackowiak and Wiederholt (2005)

- Boivin, Giannoni and Mihov should be on the desk of many people in this room