

# Comments to: High Inflation and Nominal Wage Rigidity: The Implicit Response of the Italian Tax-Benefit System

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## This paper

- The paper investigates the redistributive effect of inflation-induced revenue and expenditure variations for the Italian tax-benefit system
- The context is characterized by:
  - 1 high inflation
  - 2 indexation of pensions and social transfers
  - 3 nominal wage growth struggles to keep up
- Using EUROMOD, three different scenarios are considered: the baseline and 2 scenarios that differ because of the inclusion among inflation-dependent policy changes of the reduction in pension related contribution rates for employees (2022-2023).
- Indexation rules contribute to a significant extent to income redistribution.

## General comment

- The research question is timely and relevant in the current economic situation ⇒ Policy relevant
- The paper is clear
- The analysis well executed

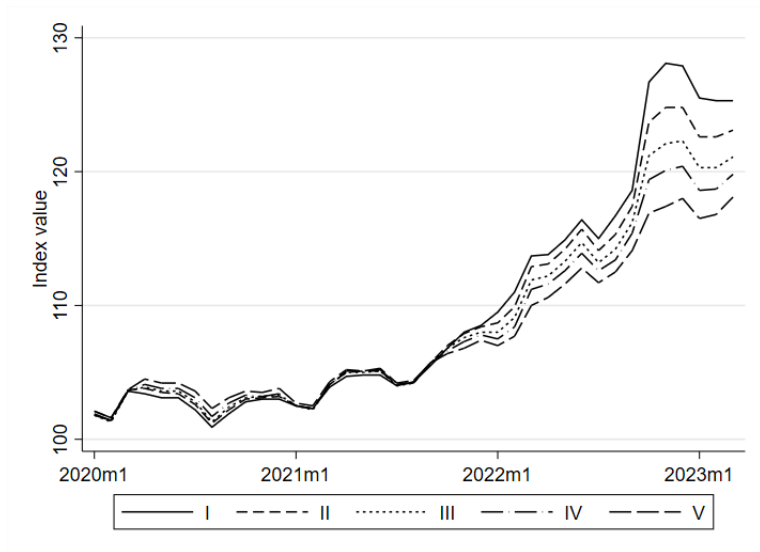


I am not sure I have meaningful suggestions for you

# What I would do

- 1 Is it worth looking at a single inflation index?
- 2 Would it be possible to look at other functionals of the effects?
- 3 Is it possible to characterize the individuals along the deciles of the (equivalized) income?

## Is it worth looking at a single inflation index?



## Would it be possible to look at other functionals of the effects?

- At the moment you look at total quantities and this is ok for me
- Of course, other functionals/statistics could be relevant.
- Possible examples of functionals are (inter)quantiles/variance of the effects
- Possible examples of statistics are:
  - 1 how large is the share of individuals who are worse off by XX euros?
  - 2 what is the variance of the fiscal drain within specific groups?
  - 3 what are the characteristics of individuals of lose the most/least?

## Characterization of the individuals

- If you address the previous issue, a natural question is the characterization of the individuals who benefits the most/least
- I have in mind the characterization of the compliers (Angrist, 2004)
- You can do this with a linear regression over classes or with multinomial logit/probit

# Thank you!

## Congratulations to the Authors for their interesting paper

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