Comments on “Preliminary Summary of Findings” by Angeloni, Aucremanne, Ehrmann, Gali, Levin, and Smets

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• 10 beautiful “facts”, congratulations!

• Focus today on two big questions
  – Is “the assumption of a Calvo model with constant probabilities of adjusting prices a reasonable approximation?”
  – Do the IPN findings suggest using a purely forward looking Philips curve?
Highly variable durations combined with many small price changes is what needs to be explained.

The puzzle

French Jeans

Italian Jeans

French Haircuts

Italian Haircuts
The same heterogeneity is present in the full distribution
Calvo approximation seems doubtful

• Prefer instead a Caballero-Engel style model with random fixed costs
  – Easily gets fits the time series data for individual goods and the average histogram

• Still would need two sectors to fit the declining hazard
Phillips curve implications

• More work on aggregation is badly needed
  – What can we confidently conclude about economy with 2 types of CE price setters?

• Maybe revisit the Blanchard cumulation hypothesis

• Too soon to say $\gamma_b$ is zero.