

Comments on:

Firing taxes, unemployment insurance and aggregate fluctuations: The role of monetary policy

Authors: Nooshin Nejati, Philipp Pfeiffer, Steffen Ahrens

Discussant: Lars Winkelmann



σ_t

The paper

MOTIVATION: Dynamics of **vacancies and unemployment** variables are not sufficiently captured in *standard* macro models.

CONTRIBUTION: Modify the DSGE model of Zanetti (2011):

- Add US type unemployment insurance system:
Firms have to pay layoff / firing taxes $\Phi(\tilde{a}_{it})$.
 $\Phi(\tilde{a}_{it})$ is related to productivity and the *business cycle*.
- Model simulations

RESULTS: Replicate key labor market effects and dynamics (e.g. Beveridge curve).



One may think about...

- ... deeper discussion of the model's implications.
- Tab. 2: if almost *all* variables become more volatile (except vacancies and job creation), what is the argument for introducing such an unemployment insurance system?
- ... questioning time-invariance of descriptive statistics over the 1964 – 2002 sample.

- Is the Taylor-rule standard? Lags of π_t, Y_t, i_t increase persistency.
- What is the benchmark model?
Why not choosing Zanetti's (2011) model as the benchmark?
- Paper has to be polished. - *sure it's a draft*
 - ▶ Focus on the main formulas. Consistent / correct notation!
 - ▶ Introduce the *novel* unemployment insurance (2.4) first.
 - ▶ Why studying the mopo shock only?

