GENERAL DISCUSSION Justin Wolfers pointed out that by relying on the Romer-Romer shocks for identification, the paper ends up focusing exclusively on when the Federal Reserve deviates from a Taylor-type rule—that is, when the Federal Reserve does something unusual. But, he continued, the paper is silent on the implications of normal systematic policy for racial gaps. Wolfers argued that we know that unexpected shocks move financial markets a lot, and we would expect the unsystematic part of monetary policy to have a large effect on wealth, while the systematic part would not. But if we think about income, we might expect the same effect on the racial gap whether unanticipated or not. He concluded by suggesting that one might get very different implications from regular monetary policy for the racial gap than when analyzing only the shocks.

Henry Aaron pondered whether the five-year horizon in the paper is long enough. He suggested that we would expect a drop in interest rates to increase the value of assets for a given income flow, given the change in discounting of the future, which would be realized relatively quickly, and if we change the underlying labor market conditions, there may be some initial effect on employment—especially at the bottom end of the income distribution. But then, over time, changes such as opportunities for promotion and investment in human capital by employees as well as employers would result in a continuing effect on earnings but, after an initial period, little or no additional effect on asset values.

Frederic Mishkin raised the issue of whether Federal Reserve policy should take into account effects on racial inequality and argued that the answer is no. He suggested an approach where we may want to think about nonmonetary policies that can counteract potentially harmful outcomes of Federal Reserve policy instead, where in addition to the important issue of racial inequality there are more general income and distributional effects which the government can address. Mishkin noted that there are many good reasons the Federal Reserve should be less involved in these very political issues and that the Federal Reserve only has one instrument and already has two objectives it has to focus on: employment and inflation.

Responding to Mishkin's comment, Wolfers pointed out that the Federal Reserve already expresses concern about the effect of its policies on savers and on borrowers—Wall Street gets listened to—and that it seems hard to rationalize that the Federal Reserve should be responsive to these groups, but not when it comes to racial disparities.

Mishkin said that the Federal Reserve should *not* be responsive to the special interests of Wall Street either but rather needs its independence to deal with unemployment and inflation.

Paul Wachtel commented that he agrees that racial inequality should not be another goal of monetary policy, but that the Federal Reserve always is—and should be—mindful of what else is going on in the economy and the implications of its policy. He said that many would agree if we were talking about financial stability but argued that racial inequality should also be included in its deliberations. He added that being mindful of these things does not mean that accommodative policy is or is not appropriate at any given time. Wachtel concluded by suggesting that monetary policy is more complex than economists may have thought thirty years ago.

William Darity wondered if what is really meant is that the Federal Reserve should be independent not of politics but of partisanship? He argued that it would be virtually impossible for monetary policy to not be political and that which factors are taken into consideration when the Federal Reserve makes decisions and what the implications are is always a question that comes into play. Darity suggested that adding an additional consideration would not cause a fundamental problem. He agreed that certain types of social issues cannot be addressed effectively with monetary policy and that the same argument could be made for racial wealth inequality: that the only way in which the racial wealth gap in the United States can truly be addressed is through reparations.

Commenting on Aaron's remarks, Betsey Stevenson agreed that we need also to consider consumption in the future. High stocks of wealth and lower interest rates can provide a lot of opportunities in the future. In the labor market, we have to think about how extended spells of unemployment have effects that last for a very long time. On Mishkin's remarks, Stevenson pointed to the trade-offs that come with running accommodative monetary policy and noted that the paper considers the risks of high inflation, which will hurt savers but which at the same time allows for the accumulation of a lot of wealth. She pondered whether this offsetting effect should be taken into account when considering the risks of running accommodative policy.

Donald Kohn said that the paper confirmed his intuition that accommodative monetary policy reduces income inequality while raising wealth inequality. He agreed with Mishkin that monetary policy is not the right tool to address income and wealth inequality. Even if accommodative policy would increase racial income gaps, it would lower unemployment—and why would you want to deprive any household, Black or white, of employment? He pondered what the broad-based and inclusive goal of the Federal Reserve means relative to the goal of maximum employment consistent with stable prices and said he believed there is no stable trade-off between the racial gaps and the employment and inflation objectives.

Stefania Albanesi made the point that cross-country evidence tells us that high inflation causes unfavorable redistribution for low-income households, through their balance sheets but also because they experience higher inflation.[1] Albanesi noted that inflation did not come up in the paper but wondered whether a high-inflation environment would have had a different impact on redistribution than the low-inflation environment and the policy that comes with it, which is what we have been seeing for the past many decades.

Ben Bernanke commented in the virtual conferencing chat that a naïve reader of the paper may conclude that in the interest of racial equality the Federal Reserve should never ease monetary policy, even in a deep recession. He asked whether this was indeed the correct inference from the findings in the paper.

Moritz Schularick responded that the paper gains may not be as inconsequential as one might think. In a world with borrowing constraints, resulting collateral constraints may have a permanent effect on wealth inequality by reducing or increasing opportunities, including opportunities for starting a business or making human capital investments. Schularick argued that realized capital gains can be connected to systematic distributional consequences and noted that previous research by Glover and others shows that during the Great Recession, for welfare reasons, younger households systematically preferred asset prices dropping more than wages.[2] He suggested that a parallel systematic argument can be made with respect to racial inequalities: some groups may profit, and others may not. Also, if you have inherited inequalities in something like homeownership as a result of discrimination in the past, sellers and buyers will be two distinct groups—these systematic differences matter and are worth thinking about. Ultimately, he agreed with Bernanke's bottom line: there are important tradeoffs that merit more consideration.

Pushing back on the point made by Benjamin Moll in his comment on the paper—that the marginal propensity to consume (MPC) across Black and white households would significantly affect the results—Schularick argued that one would have to make pretty extreme assumptions of the difference in MPC for the results of the paper to be reversed.

1. See Stefania Albanesi, "Inflation and Inequality," *Journal of Monetary Economics* 54, no. 4 (2007): 1088–114.

2. Andrew Glover, Jonathan Heathcote, Dirk Krueger, and José-Víctor Ríos-Rull, "Intergenerational Redistribution in the Great Recession," *Journal of Political Economy* 128, no. 10 (2020): 3730–78.

Moll made a plea for better data collection—comprehensive data on income, wealth, and consumption expenditure are needed and do not currently exist in the United States, hampering efforts to progress our understanding on these matters.

Austan Goolsbee commented in the chat that it can be interesting to think of the geographic incidence of monetary policy in the same way as for sectors or racial groups. He suggested that the question of whether the Federal Reserve should pay attention to a hard-hit group specifically or just the aggregate becomes similar to the issue of optimal currency areas and whether the central bank should respond to shocks hitting one geographic area differently than others.