

Lartey, Mandelman, and Acosta: Remittances and the Dutch Disease

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Background

- Origins of the Dutch disease literature
- Extensions: Foreign aid, capital flows
- Extension to remittances
- Summary of authors' conclusions

Methodological issues

- Joint testing of impact on exchange rate and output composition: important strength of the paper
- Stronger link to underlying structural model would provide clearer picture of channels, distinguish between alternative hypotheses
- Especially relevant for Balassa-Samuelson: contrasting implications for output composition, need additional supply-side variables

Exchange rate regime

- Striking result: real appreciation larger under fixed rate regimes – implication that adjustment occurs mainly through prices rather than nominal exchange rate
- Check for robustness – alternative regime classifications
- What underlies the result?: need for more structure to understand relevant channels
- In particular, macro policy response may be key: policy objectives, constraints under different regimes

Welfare implications

- Remittances could have different welfare implications compared to other inflows that may give rise to Dutch disease
- Rigorous welfare analysis needs to be underpinned by structural model
- In particular, and in contrast to other inflows, need to specify *endogenous* nature of remittances in intertemporal consumption and consumption-leisure choice