Discussant Comments:

The Welfare Impact of the COVID-19 Pandemic: An Analysis of the Philippine Labor Market using the CGE-Microsimulation Approach
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My comments are largely framed in terms of a set of questions. Despite this, I venture to make a research recommendation at the end.

- First question concerns the data set: the model is calibrated to annual data for 2018, but results are couched in terms of quarterly variables. How was the quarterly data set is generated from the annual data set. Was this a simple matter of dividing equally, disregarding seasonality effects? Given the 80 sector disaggregation, this may be a serious or moderately serious ommission. More serious though is the implications of transition to quarterly variables for the labor market model; time is an essential element of consummation of matching after a search process, so I simple imitation of parameters from the annual to the quarterly may not suffice.
- Second question relates to modeling the COVID19 impact itself. The approach taken is a shift in the value added parameter across sectors. How was the shift calibrated? How was that shock allocated across the 80 sectors? Furthermore, this approach adopts a supply shock to model COVID19. Why was this approach taken given that the lockdowns are more consisent with a negative demand shock. For instance a supply shock is expected to result in price increases, at least in a partial equilibrium setting; whereas in fact in 2020 inflation was benign, consistent with a demand shock. I do not want to fault the authors too much for this as CGE models, no matter how well-modified from its Walrasian roots say by a nuanced labor market, are more amenable to modeling supply shocks rather than demand shocks. If I have a hammer, everything becomes a nail.
- Third question relates to the inequality result of the model. Theory suggests direction of change can go either way; some elements of the discussion seem to point to favorable inequality impact, e.g. "the wage of low-skilled labor will recover more after the onset of the pandemic than the wage of high-skilled labor." Section 5 par. 4. However the simulation shows a worsening inequality after four quarters. I am stumped to understand this result.
- Fourth is, aside from the finding on inequality (which is a mystery to me), what non-trivial finding do we actually obtain from this exercise beyond the shocks already imposed by the authors? We already know that macro-aggregates contracted severely, and that poverty probably increased. Moreover a cash transfer scheme offsets to some extent the poverty impact, depending on the size of cash transfers. The non-trivial finding is actually the inequality result, which I have said mystifies me.
- Firth, regarding the cash transfer scheme: how was it financed? In a modified Walrasian CGE model this is an important consideration – some other institution must be financing it, perhaps as a diversion from household income via tax revenue, or from private investment via government borrowing etc. Or was the cash injection exogenously performed in the 2nd stage of the recursive simulation
- Finally, along the lines of my fourth question is my research recommendation. Rather than analyzing short-term aggregate demand shocks, modified Walrasian CGE models are more useful to model medium to long term economic adjustment. I argue that such a modeling strategy is more useful for the recovery phase, starting from an exogenously high unemployment, with some short-term frictions to reach successively lower levels of unemployment, even as the government contends with added burden of debt servicing, with alternative policy options for finance – lower spending, increased taxes, or even more borrowing. Perhaps the authors can consider extending their analysis to the medium to long term.