

Discussion on
The Costs and Benefits of
Informalization in a two-sector
Keynesian Model

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ROADMAP

- Main contributions of the paper
- Testing further the robustness of the results
- Some more specific comments

A DOUBLE CONTRIBUTION

- A neat way to model the informal sector in emerging market economies
- The conclusions are policy relevant:
 - Informalization has a welfare cost
 - Tax difference is a factor influencing the size of the informal sector
 - The higher the rigidity on the formal labour market, the higher the size of informality

TESTING THE ROBUSTNESS OF THE RESULTS

- To what extent do the results depend on the calibration and specification choice?
- Robustness tests on the structural parameters and test different functional forms
- Improve the reader's understanding of the model and cast some light on uncertainties

ADDITIONAL COMMENTS

- A lower bound of welfare cost from informalization?
- What would be the effect of adding further adjustment costs?
- What about firms' decisions?

Thank you