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

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• 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 last on uncertainties
• A lower bound of welfare cost from informalization?

• What would be the effect of adding further adjustment costs?

• What about firms’ decisions?
Thank you