Monetary Policy in Interdependent Economies

Monetary Policy in Interdependent Economies - Matthew B. Canzoneri 1991

Monetary Policy in Interdependent Economies provides the first comprehensive overview of the implications of using game theory to analyze interactions among national monetary policymakers. It synthesizes the pessimistic view of sovereign policymaking that results from the analysis of one-shot games with the optimistic view derived from the analysis of quid pro quo strategies in repeated games. Good outcomes, the authors conclude, require coordination among noncooperative policymakers, and that sometimes policymakers must be forced to cooperate. They suggest two roles for supranational institutions such as the International Monetary Fund: the IMF can provide a forum where noncooperative policymakers can work to achieve good outcomes, and it can police agreements among cooperative policymakers. Canzoneri and Henderson take clear stands on controversial issues and make recent advances in game theory accessible by using a single unified framework to explain a wide range of concepts. They begin by analyzing one-shot interactions between two policymakers, in subsequent chapters they extend their analysis to allow for more policymakers, and coalitions, for repeated interactions among policymakers, and for the possibility of time inconsistency. Matthew B. Canzoneri is Professor of Economics at Georgetown University. Dale W. Henderson is Assistant Director, Division of International Finance, Board of Governors of the Federal Reserve System.

Policy Instrument Choice and Non-coordinated Monetary Policy in Interdependent Economies - Giovanni Lombardo 2004

Monetary Policy in Interdependent Economies - Run-Rong Chen 1994

Monetary Policy and Labor Market Structure in Interdependent Economies - Jules Leichter 1999

Stabilization Policies in Interdependent Economies - Emil Maria Claassen 1972


Exchange Rate Management in Interdependent Economies - Silke Fabian 2012-12-06

With the breakdown of the Bretton Woods System and the begin of floating between the major currencies, central banks have been formally freed from their obligations to defend the fixed parities of bilateral exchange rates. Nevertheless, since then there have been countless occasions on which monetary authorities have officially intervened in the foreign exchange market. More over, numerous studies indicate that exchange rates have been much more variable than originally anticipated - in real and in nominal, as well as in short run and longer run measures (see for example Hesse and Braasch [1989] and Marston [1988]). Through the experience of high real sector costs, the topic of optimal exchange rate management soon reentered policy discussions. The term exchange rate management encompasses both the choice of exchange rate regime as well as active intervention policies within the given 1 system. Much of the recent policy discussion has focussed on the first issue, in particular proposals of how to reform the present international monetary order. And new systems such as the European Monetary System (EMS) have emerged for subgroups of countries. However, the question of finding the optimal system has not yet been resolved.

Monetary and Fiscal Policy in Interdependent Economies with Capital Accumulation, Death and Population Growth - Frederick van der Ploeg 1988
Macroeconomic Policy Adjustment in Interdependent Economies - Richard N. Cooper 1969

Insider-outsider Conflicts and Monetary Policy Games in Interdependent Economies - Athina Zervoyianni 1993

The Choice of Monetary Instrument in Two Interdependent Economies Under Uncertainty - Stephen J. Turnovsky 1988 This paper analyzes the choice of monetary instrument in a stochastic two country setting where each country's set of monetary policy instruments includes both the money supply and the interest rate. It shows how the optimal choice of instrument is determined in two stages. First, for each pair, the minimum welfare coat for each economy is determined. This defines a set of payoff matrices and the second stage involves determining the Nash equilibrium for this bimatrix game. In our illustrative example for the alternative shocks considered, a dominant Nash equilibrium is always obtained.

International Policy Coordination in Interdependent Monetary Economies - Frederick van der Ploeg 1987

Monetary Policy Games and International Migration of Labour in Interdependent Economies - George M. Agiomirgianakis 1997

Empirical Macroeconomics for Interdependent Economies - Ralph C. Bryant 1988

Economic Policy in an Interdependent World - Richard N. Cooper 1987 These eleven essays written over the past fifteen years continue and develop Richard Cooper's central theme of interdependence, reflecting his experience in government in the Council of Economic Advisers and as Undersecretary of State for Economic Affairs. They focus in particular on the opportunities and constraints for national economic policy in an environment where goods, services, capital, and even labor are increasingly mobile. The first four chapters are informal, discursive treatments of economic and foreign policies in the face of growing interdependence among nations. The remaining chapters cover such specialist topics as optimal regional integration, the integration of world capital markets, the impact of greater interdependence on the effectiveness of domestic economic policy, the comparison of monetary and fiscal policy under fixed and flexible exchange rates, currency evaluation in developing countries, and the appropriate size and composition of a developing country's external debt. A concluding chapter surveys the preceding essays in terms of coordinating macroeconomic policymaking in an interdependent world economy. Richard N. Cooper is Maurits C. Boas Professor of International Economy at Harvard University.

On the International Transmission of Monetary Policy - Reinhold Heinlein 2013

Implications of Economic Interdependence and Exchange Rate Policy on Endogenous Wage Indexation Decisions - Jay H. Bryson 1996

International Dimensions of Optimal Monetary Policy - Giancarlo Corsetti 2001 "This paper provides a baseline general-equilibrium model of optimal monetary policy among interdependent economies with monopolistic firms that set prices one period in advance. Strict adherence to inward-looking policy objectives such as the stabilization of domestic output cannot be optimal when firms' markups are exposed to currency fluctuations. Such policies induce excessive volatility in exchange rates and foreign sales revenue, leading exporters to set higher prices in response to higher profit risk. In general, optimal rules trade off a larger domestic output gap against lower import prices. Monetary rules in a world Nash equilibrium lead to less exchange rate volatility relative to both inward-looking rules and discretionary policies, even when the latter do not suffer from any inflationary (or deflationary) bias. Gains from international monetary cooperation are related in a nonmonotonic way to the degree of exchange rate pass-through"--Federal Reserve Bank of New York web site.

Money and Monetary Policy in Interdependent Nations - Ralph C. Bryant 1980
Monetary Policy In Interdependent Economies - Jonathan Eaton 1986 The paper provides a theoretical framework for analyzing policy formation among independent authorities operating in an interdependent environment. This is then applied to the analysis of optimal monetary policy in a stochastic two country model with rational expectations. The main conclusions are 1) Optimal monetary policy requires a finite response of the money supply to the exchange rate (which is the only contemporaneously observed variable.) Neither a fixed nor a freely floating exchange rate is likely to be optimal. 2) Output stabilizing monetary policy may well require 'leaning with the wind' in the foreign exchange market, expanding the money supply when the home currency depreciates, thus increasing the volatility of the exchange rate. 3) The ability of the monetary authorities to influence real variables is due to the assumption that the private sector does not make exchange rate-contingent forward contracts.4) There are likely to be gains from policy coordination

Macroeconomic Policy Coordination of Interdependent Economies - Juan Carlos Martínez Oliva 1987

Challenges for Economic Policy Coordination within European Monetary Union - Andrew J. Hughes Hallett 2013-06-29 The launch of European Monetary Union (EMU) marked the beginning of a new era, and its establishment has proved an impressive success at the technical, legal, and procedural level. After all, EMU has accelerated economic and political integration in the European Union and tied the economies of the Member States closer together. However, the performance of the euro, high unemployment rates, uneven output and investment growth, and the issue of structural reforms that have yet to be tackled have raised questions about the performance of EMU in practice. There is a general consensus on the justification for economic policy coordination. The existing literature on economic policy coordination, however, seems far from able to provide robust conclusions about how to organize the necessary interaction of institutions and policies. Therefore, there seems to be a case for re-examining the subject under the new framework set by EMU. The objective of such a reassessment is to enhance the understanding of what type of coordination and what institutional setting for policy coordination can be expected to be most favorable. Challenges for Economic Policy Coordination within European Monetary Union provides an intellectually stimulating contribution to the ongoing debate.

Policy Decentralization and Exchange Rate Management in Interdependent Economies - Willem H. Buiter 1980

Economic Interdependence and the International Implications of Supply-Side Policies - International Monetary Fund 1989-09-14 This paper evaluates the effect of foreign debt on investment in a heavily-indebted country, using numerical simulations of a simple rational expectations growth model. Two particular effects are distinguished. First, the effect due to “debt overhang” of past accumulated debts; and second, the effect of “credit rationing” or inability to obtain new financing. The results from the simulations indicate the credit rationing may be a powerful disincentive to investment. This suggests that in order to maximize the impact on productive investment, debt reduction plans need to be accompanied by additional foreign lending.


Fiscal and Monetary Policy Design and the Interdependent World Economy - Willem H. Buiter 1985

Optimal monetary policy in open economies - Giancarlo Corsetti 2010 This chapter studies optimal monetary stabilization policy in interdependent open economies, by proposing a unified analytical framework systematizing the existing literature. In the model, the combination of complete exchange-rate pass-through ('producer currency pricing') and frictionless asset markets ensuring efficient risk sharing, results in a form of open-economy 'divine coincidence': in line with the prescriptions in the baseline New-Keynesian setting, the optimal monetary policy under cooperation is characterized by exclusively inward-looking targeting rules in domestic output gaps and GDP-deflator inflation. The chapter then examines deviations from this benchmark, when cross-country strategic policy interactions, incomplete exchange-rate pass-through ('local currency pricing') and asset market imperfections are accounted for. Namely, failure to internalize international monetary spillovers results in attempts to manipulate international relative prices to raise national welfare, causing inefficient real exchange rate fluctuations. Local currency pricing and incomplete asset markets (preventing efficient risk sharing) shift the focus of monetary stabilization to redressing domestic as well as external distortions: the targeting rules characterizing the optimal policy are not only in domestic output gaps and inflation, but also in misalignments in the terms of trade and real exchange rates, and cross-country demand imbalances.
that bigger picture. Markets will impose changes on other markets, and not always in obvious or pleasant ways. Understanding Economic Equilibrium reveals how all markets fit together, and how we as individuals fit into the market picture. Economic agents all over the world are trying to maximize their returns given their efforts, resources, and opportunities. They come together in markets that ultimately allocate goods and services among many competing interests. We can readily see how individual markets behave; it’s more difficult, but exponentially more important, to recognize the general equilibrium across all markets. Disturbances in one market have implications for others. These interrelationships are particularly important to understand when policy changes are being considered where actions in one market will impose changes on other markets, and not always in obvious or pleasant ways. Understanding Economic Equilibrium reveals how all markets fit together, and how we as individuals fit into that bigger picture.

Monetary and Currency Policy Management in Asia - Masahiro Kawai 2012-01-01 Asian economies strengthened their monetary and currency management after the Asian financial crisis of 1997-1998, and came through the global financial crisis of 2007-2009 relatively well. Nevertheless, the recent global crisis has presented new challenges. This book develops recommendations for monetary and currency policy in Asian economies aimed at promoting macroeconomic and financial stability in an environment of global economic shocks and volatile capital flows. Monetary and Currency Policy Management in Asia draws lessons from crises and makes concrete macroeconomic policy recommendations aimed at minimizing the impacts of an economic and financial downturn, and setting the stage for an early return to sustainable growth. The focus is on short-term measures related to the cycle. The three main areas addressed are: monetary policy measures, both conventional and unconventional, to achieve both macroeconomic and financial stability; exchange rate policy and foreign exchange reserve management, including the potential for regional cooperation to stabilize currency movements; and ways to ease the constraints on policy resulting from the so-called ‘impossible trinity’ of fixed exchange rates, open capital accounts and independent monetary policy. This is one of the first books since the global financial crisis to specifically and comprehensively address the implications of the crisis for monetary and currency policy in emerging market economies, especially in Asia. Presenting a broad menu of policy options for financial reform and regulation, the book will be of great interest to finance experts and policymakers in the region as well as academics and researchers of financial and Asian economics as well as economic development.

International and European Monetary Systems - Emil Maria Claassen 1990 This volume brings together a distinguished group of contributors from Europe and the United States to examine a broad range of issues relating to the current and future roles of the international and European monetary systems. Among the topics covered are the relationship of each system to the U.S. dollar and its fluctuations vis-a-vis the Japanese Yen and German Deutschmark; the effect of fiscal policies on monetary systems; the role of the European currency unit; exchange rate management and international coordination; the theory behind, and policy implications of, over- and undervalued currencies; and the prospects for future currency unification and currency competition.

International Finance Discussion Papers - 1996

Understanding Economic Equilibrium - Thomas J. Cunningham 2021-05-11 Understanding Economic Equilibrium reveals how all markets fit together, and how we as individuals fit into that bigger picture. Economic agents all over the world are trying to maximize their returns given their efforts, resources, and opportunities. They come together in markets that ultimately allocate goods and services among many competing interests. We can readily see how individual markets behave; it’s more difficult, but exponentially more important, to recognize the general equilibrium across all markets. Disturbances in one market have implications for others. These interrelationships are particularly important to understand when policy changes are being considered where actions in one market will impose changes on other markets, and not always in obvious or pleasant ways. Understanding Economic Equilibrium reveals how all markets fit together, and how we as individuals fit into that bigger picture.
Reform of the International Monetary System - Masahiro Kawai 2016-08-23 By providing a comprehensive overview of policy proposals for the international monetary system from an Asian perspective, this book aims to identify what innovations are needed to reform the international monetary and financial system to promote financial stability and sustainable economic growth for emerging economies. The book is organized into four parts. Part 1 discusses major theoretical and empirical issues related to reform of the international monetary system. Part 2 includes two chapters that present the recent developments and challenges for managing capital flows. Part 3 presents different perspectives on regional currency cooperation in Asia and Europe by assessing the evidence supporting increased currency coordination in Asia and by reviewing issues of policy cooperation in the Euro area after the global financial crisis and their implications for Asia. Part 4 discusses emerging issues for regional/global cooperation and financial safety nets. The main inference of the book is that, in light of the drawbacks of the existing international monetary system exposed in the global financial crisis, along with other countries, Asian emerging economies should work cooperatively to reform and strengthen international monetary and financial policy. To do so, regional and global monetary cooperation is needed and financial safety nets should be strengthened to alleviate the impact of possible global financial crises. This will be one of the first books written about the global financial crisis and the ongoing European sovereign debt crisis to comprehensively address the issues related to currency cooperation, based on the Euro area experience, with the specific implications for Asia.


International Policy Coordination in Interdependent Monetary Economies - Frederick Ploeg 1989

The Macroeconomic Effects of War Finance in the United States - Lee E. Ohanian 2018-07-04 This book, first published in 1998, presents a quantitative investigation of the macroeconomic effects of different fiscal and monetary policies that have been used to finance wars in the US. It examines both positive and normative effects of historical government policies.
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