Monetary Policy In Interdependent Economies A Game Theoretic Approach

Monetary Policy in Interdependent Economies: Matthew B. Cooper 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 seen policy coordination that results from the analysis of one-shot games with the optimistic view derived from the analysis of rival gas 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 and make enforcement clear through on-site visits and make recent advances in game theory accessible by using a simple unified framework to explain a wide range of cases. They begin by analyzing one-shot interactions between two policymakers, in subsequent chapters they extend their analysis to allow for more policymakers, and consider, for repeated interactions among policymakers, and for the possibility of time inconsistency: Matthew B. Cooper is Professor of Economics at Georgetown University. Dale W. Henderson is Assistant Director, Divisions of International Finance, Board of Governors of the Federal Reserve System.

Policy Instrument Choice and Non-coordinated Monetary Policy in Interdependent Economies: Giancarlo Cimino 2001

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Monetary Policy in Interdependent Economies: Run-Rong Chen 1990


Stabilisation Policies in Interdependent Economies: Emil' Uranta Chausen 1972


Exchange Rate Management in Interdependent Economies: Silvia Fabini 2012-13:00 With the breakdown of the Bretton Woods System and the beginning 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 often, 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 Cline and Brüchel [1988] and Martiño [1988]). Through the experience of high real sector costs, the theory of optimal exchange rate management has become a topic of policy discussion. These exchange rate management schemes tend to be characterized by the choice of exchange rate regime as well as active intervention policies within the given system. Much of the recent policy discussion has focused 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 subgroup 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 1989

Inside-outside Conflicts and Monetary Policy Games in Interdependent Economies: Athanas Zervos 1983

The Choice of Monetary Instrument in Two Interdependent Economies: Under Uncertainty: Stefan J. Trumpp 1988 This paper analyses the choice of monetary instrument in a stochastic two-country setting where each country sets its own monetary policy instruments subject to both the money supply and the interest rate. It shows how the optimal choice of instrument is determined in two stages. First, for each country the maximum value for each policy can be determined. This defines a set of payoff matrices and the second stage involves determining the Nash equilibrium for this finite game. In our illustrative example for the alternative check considered, a dominant Nash equilibrium is always achieved.

International Policy Coordination in Interdependent Economies: Frederik van der Ploeg 1987

Monetary Policy Games and International Migration of Labour in Interdependent Economies: George M. Auguštijančič 1987

Empirical Macroeconomics for Interdependent Economies: Ralph C. Bryan 1988

On the International Transmission of Monetary Policy: Reinhold Heinl 2013

Economic Policy in an Interdependent World: Richard N. Cooper 1988 These eleven essays are written over the past fifteen years and continue to 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 informational, discussion treatments of economic and foreign policies in a face of growing interdependence among nations. The remaining chapters cover more specialized topics as optimal regional integration, the integration of world capital markets, the impact of greater interdependence on the effectiveness of domestic economic policy, the competition of monetary and fiscal policy under fixed and flexible exchange rates, monetary policy in developing countries, and the appropriate role and composition of a developing country's external debt. A concluding chapter surveys the previous essays in terms of coordinating macroeconomic policies in an interdependent world economy. Richard N. Cooper in Nazari C. Buss Professor of International Economics at Harvard University.


International Dimensions of Optimal Monetary Policy: Giancarlo Cimino 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 forward-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 variability 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 growth. Monetary rules in a world Nash equilibrium lead to less exchange-rate volatility relative to both forward-looking rules and discretionary policies, even when the latter do not suffer from spurious (or definitional) 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. Bryan 1989

Policy Decentralization and Exchange Rate Management in Interdependent Economies: Jonathan Ellick 1988 This paper provides a theoretical framework for analyzing policy coordination among independent central banks 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 that: (1) optimal monetary policy magnifies a relative increase in the money supply to the exchange rate (which is the exact contemporary observed variable); neither a fixed nor a freely floating exchange rate is likely to be optimal; (2) output variability 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) the interest rate is likely to be subject to policy coordination

Macroeconomic Policy Coordination of Interdependent Economies: Jean-Claude Martiniotakis 1987

Challenges for Economic Policy Coordination within European Monetary Union: Andrew J. Higgs and Peter H. Hiltly 2013-06-29 The launch of European Monetary Union (EMU) marked the beginning of a new era, and its establishment has proved an impressive advance 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 economic trends and the Eurozone's debt crisis show that economic and monetary union are not yet firmly established. The unification of monetary policy by the European Central Bank (ECB) is fundamental to the success of EMU. The ECB’s legal mandate is to maintain price stability, and its primary tool is monetary policy. The ECB is an independent institution that does not have to take into account other policy priorities. However, this independence is not absolute: it is subject to political constraints, which is why the ECB is also called a 'political' institution. The ECB’s goal of price stability is measured by inflation as defined by the Harmonized Index of Consumer Prices (HICP). However, some price levels are outside the ECB’s control. These include price levels that are influenced by international factors, such as world oil prices, or by the policies of non-European Union or non-EMU countries. In practice, the ECB often has to strike a balance between its mandate and the economic and political goals of the Member States.

Economic Interdependence and the International Implications of Supply-Side Policies: International Monetary Fund 1988-05-14 This paper evaluates the effect of foreign debt on investment in a highly indebted country, using numerical simulations of a simple consumption growth model. Two particular effects are distinguished. First, the effect due to ‘credit erosion’ of past accumulated debts; second, the effect of ‘credit restriction’ or inability to obtain new financing. The results from the simulations indicate that credit erosion may be a powerful disincentive to investment. This suggests that in order to maintain the impact on productive investment, debt reduction plans need to be accompanied by additional foreign lending.

Policy Decentralization and Exchange Rate Management in Interdependent Economies: Vilius H. Rübe 2000

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Fiscal and Monetary Policy Design and the Interdependent World Economy-William H. Rucker 1985

Optimal monetary policy in open economies-Giacomo Gentiloni 2018 This chapter studies optimal monetary stabilization policy in an interdependent open economy, by preparing a unified analytical framework systematizing the existing literature. In the model, the combination of complete-exchange-rate pass-through ("producer's currency pricing") and frictionsless asset markets ensuring efficient risk sharing, results in a form of open-economy "stability condition" as well as the prescriptions of the familiar New European setting, the optimal monetary policy under coordination is characterized by exclusively allowing leaving targeting rules in domestic output gap and CPI-deflator inflation. The chapter then examines deviations from this benchmark, when cross-country strategic policy interactions, incoercible exchange-rate pass-through ("local currency pricing") and asset market imperfections are accommodated for. Numerically, failure to internalize international monetary spillovers results in attempts to manipulate international relative prices to cause national welfare, causing inefficient real exchange rate fluctuations. Local currency pricing and incoercible asset markets (preventing efficient risk sharing) shift the locus of monetary stabilization to enforcing domestic as well as external demand-based targeting rules characterizing the optimal policy are not only in domestic output gap and inflation, but also in contributions in the terms of trade and real exchange rates, and cross-country demand indeterminacies.

Essays on Efficiency and Coordination of Fiscal Policies in Interdependent Economies-Ivan Zeyekoglu 2008 This open economy macroeconomics (OEMC) literature, initiated by Obstfeld-Rogoff (1995), offers a more rigorous setup for the analysis of macroeconomic policy with respect to Mundell-Fleming models. The perspective of deterministic general equilibrium GMOC models that emerged from Obstfeld-Rogoff (1995) has been extended by Obstfeld-Rogoff (2002) to a stochastic environment. The present dissertation aims to contribute to these two streams of research concerning fiscal policy analysis in the OEMC literature. The dissertation consists of a survey and four essays. The first two essays extend the deterministic setup Obstfeld-Rogoff (1995) by introducing imperfect financial integration and by relaxing the assumption of intertemporal equivalence respectively. The third and fourth essays extend Obstfeld-Rogoff (2002) to analyze stabilization and cooperation policies from local and monetary policy as well as the interactions between monetary and fiscal policy.

Fiscal Policy in an Open, Interdependent Economy-William H. Rucker 1987 The paper studies the effects of alternative financing policies in the open economy. There is a non-trivial risk for financial policy because of the failure of first-order debt neutrality due to asymmetric private lifetime. Both the single-country case and the interdependent two-country case are considered. Capital formation is independent and there are unified global financial and goods markets determining the interest rate, each country’s “p” and the terms of trade. The government’s present value budget constraint or subsidy constraint and the assumption that the interest rate exceeds the growth rate imply that, given spending, current tax cut, must future taxes increase. Such policies boost the medium-term stock of public debt, raise the world interest rate, crowd out capital formation at home and abroad, and lead to a loss of foreign assets. Provided “supply shock response corrected” transfer criteria is satisfied, the terms of trade will improve in the short run and worsen in the long run.

Monetary and Currency Management in Asia-Monish Kaura 2012-01-01 Asiana economies strengthened their monetary and currency management after the Asian financial crisis of 1997-1998, and came through the global financial crisis of 2007-2008 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 such economic and financial downturns, 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 exchange 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 on 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 reforms 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-Theo M. Aienrensloos 1990 This volume brings together a distinguished group of contributors from Europe and the United States to examine a broad range of issues related 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 on-e-e in 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-1986

Understanding Economic Equilibrium-Thomas J. Cunningham 2021-07-11 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.

Reform of the International Monetary System-Monish Kaura 2016-06-23 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 reforms 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 coordination 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 stability. The main reference of the book is that, as light of the developments 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 Economies-Frederick Flog 1999

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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