Accepted Manuscript

International Transmissions of Monetary Shocks: Between a Trilemma and a Dilemma

Xuehui Han, Shang-Jin Wei

PII: S0022-1996(17)30139-3
DOI: doi:10.1016/j.jinteco.2017.11.005
Reference: INEC 3094

To appear in:

Received date: 28 October 2016
Revised date: 28 October 2017
Accepted date: 24 November 2017

Please cite this article as: Xuehui Han, Shang-Jin Wei, International Transmissions of Monetary Shocks: Between a Trilemma and a Dilemma. The address for the corresponding author was captured as affiliation for all authors. Please check if appropriate. Inec(2017), doi:10.1016/j.jinteco.2017.11.005

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.
International Transmissions of Monetary Shocks:
Between a Trilemma and a Dilemma

Xuehui Han1 and Shang-Jin Wei2

October 28, 2017

Abstract
This paper re-examines international transmissions of monetary policy shocks from advanced economies to emerging market economies. In terms of methodologies, it combines three novel features. First, it separates co-movement in monetary policies due to common shocks from spillovers of monetary policies from advanced to peripheral economies. Second, it uses revisions in growth and inflation and the Taylor rule to gauge desired changes in a country’s interest rate if it is to focus exclusively on growth, inflation, and real exchange rate stability. Third, it proposes a specification that can work with the quantitative easing episodes when no changes in US interest rates are observed. In terms of empirical findings, we differ from the existing literature and document patterns of “2.5-lemma” or something between a trilemma and a dilemma: without capital controls, a flexible exchange rate regime offers some monetary policy autonomy when the center country tightens its monetary policy, yet it fails to do so when the center country lowers its interest rate. Capital controls help to insulate periphery countries from monetary policy shocks from the center country even when the latter lowers its interest rate.

Key Words: Interest rate shocks, fixed exchange rate, flexible exchange rate, dilemma, trilemma, capital flow management

JEL Classifications: E42, E43, E52

Acknowledgements: The views expressed in this paper are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent. The authors are grateful for excellent research assistance to Joy Glazener, Orlee P. Velarde, Lea R. Sumulong, and Nedelyn C. Magtibay-Ramos, Yinxi Xie, and for comments to Abdul D. Abiad, Joshua Aizenman, Atish R. Ghosh, Sebnem Kalemli Ozcan, Diwa Guinigundo, Arief Ramayandi, and participants at the research seminar at ADB, the Joint Central Bank of Turkey – Bank of England Workshop on “The International Monetary and Financial System: short term challenges and long term solution,” and the 7th Meeting of the International Policy Advisory Group. The authors are responsible for any remaining errors in the paper.

1 Asian Development Bank, email: xuehuihan@adb.org;
2 Columbia University, Fanhai International School of Finance (FISF), NBER, and CEPR, email: sw2446@columbia.edu.
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات