Discussion of

The International Monetary Transmission Mechanism

by Santiago Camara, Lawrence Christiano, Husnu Dalgic

Dmitry Mukhin
LSE

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Motivation

- **How does U.S. monetary policy affect other economies?**
  - special role of U.S. in global trade and fin'l markets
  - "taper tantrum" vs. "currency wars"
  - policy implications for other central banks?

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- **Which one dominates? How to disentangle in the data?**

This Paper

1. **Empirical estimates**:
   - VAR w/ Bauer-Swanson'23 monetary shocks
   - IRF for U.S. R^*, Y^*, P^* and AE/EM $\mathcal{E}, R, P, Y, Ex, Im, FXI$ ▸ show
   - $R^* \uparrow \Rightarrow Y \downarrow$ in EM

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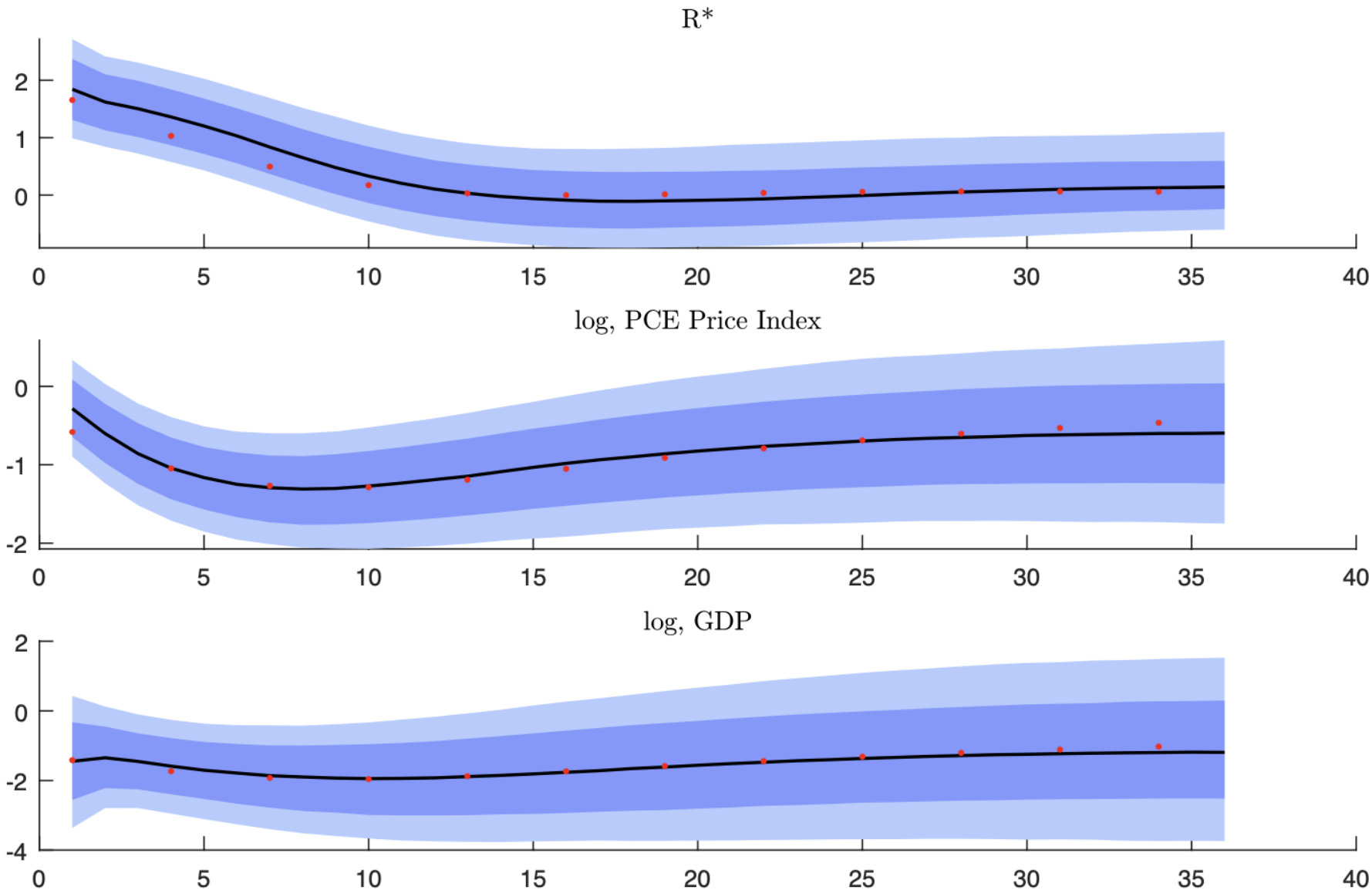
Average Responses for the U.S.



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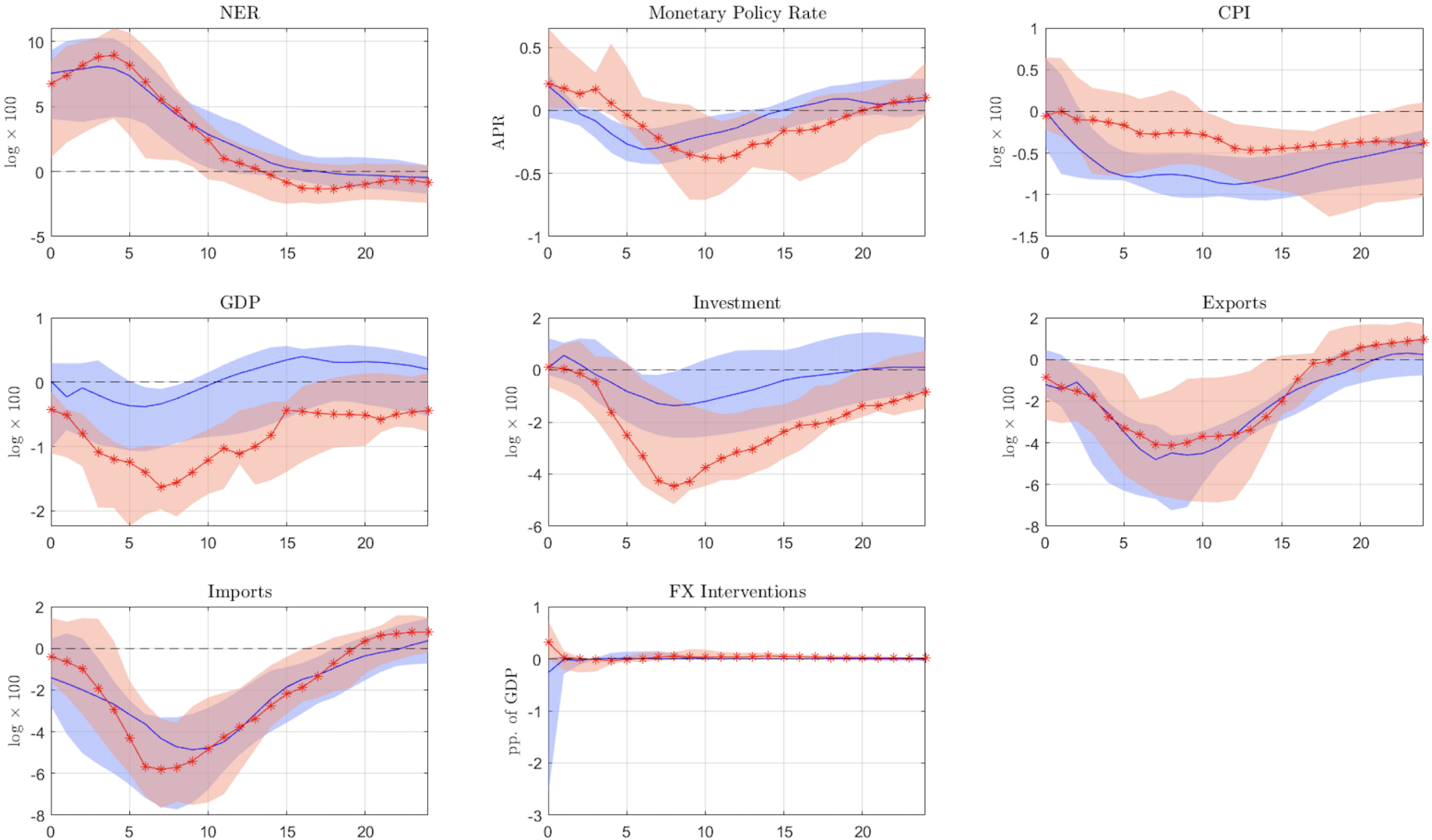
Average Responses for AE (solid) and EM (stars)



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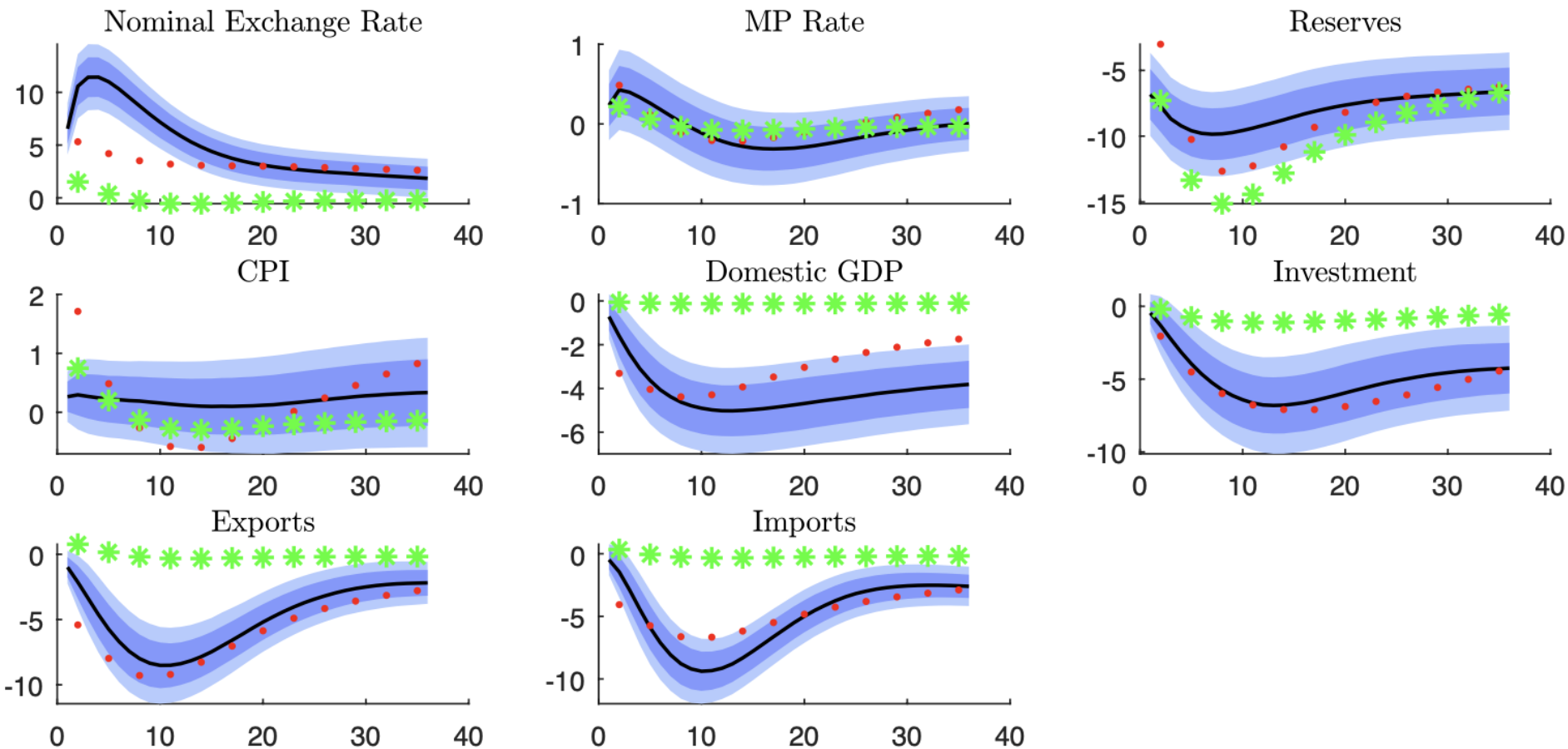
   - find almost no spillovers

Figure 9: EME - VAR IRFs, SOE IRFs and SOE Responses to Pure R^* Shock



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- My comments: Data $\overset{(2)}{\Rightarrow}$ Model $\overset{(1)}{\Rightarrow}$ Counterfactuals

Comment #1: Interpretation

- Why does trade channel dominate?

$$\underbrace{X}_{\substack{\textit{trade}\\ \textit{channel}}} = \underbrace{(P^X)^{-\eta}}_{\substack{\textit{expenditure}\\ \textit{switching}}} \underbrace{(Y^*)^{\gamma}}_{\substack{\textit{demand}\\ \textit{shifter}}}$$

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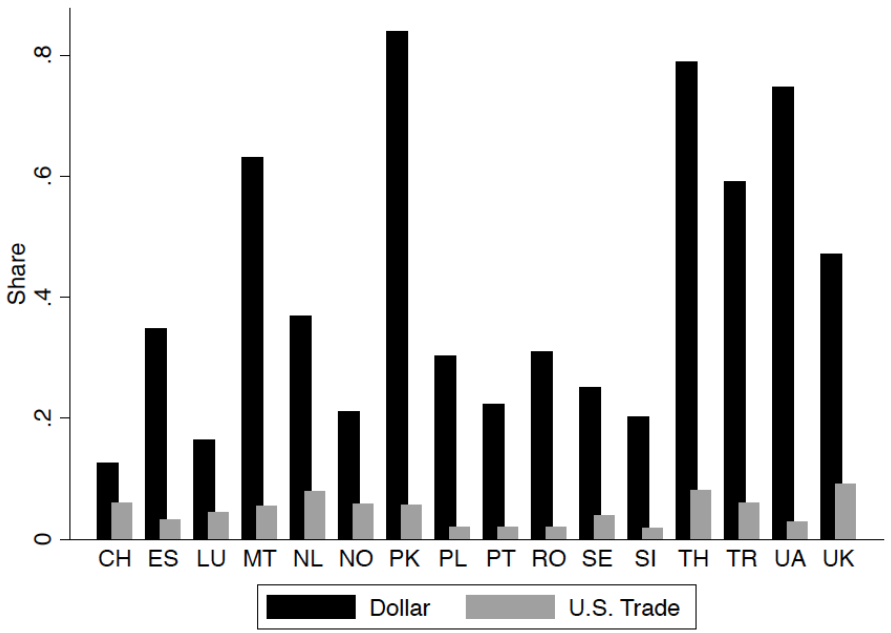

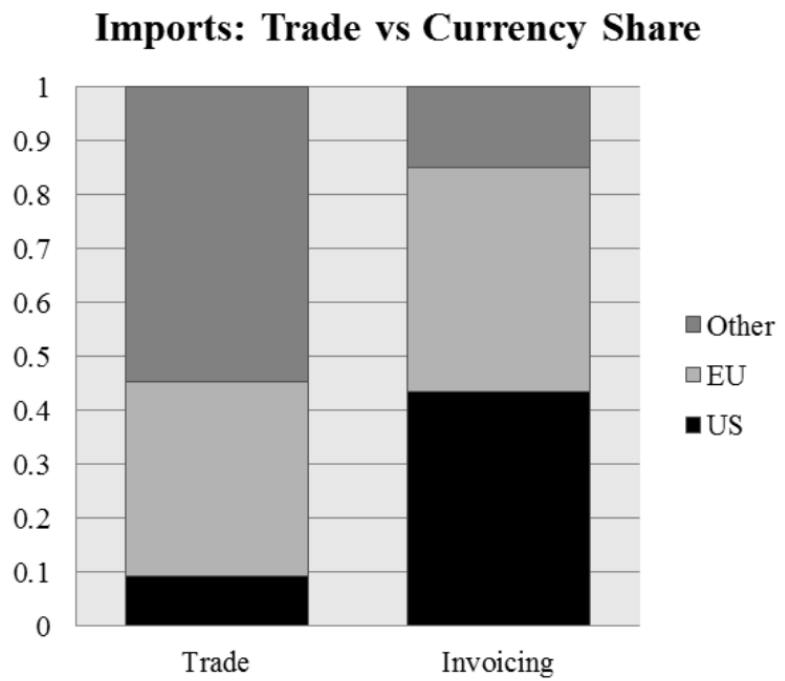

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  - use **IRF for global trade** to calibrate Y^*

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- Suggestions:
  1. include **fin'l moments** from GFC literature: spreads, asset prices, capital flows... (Miranda-Agrippino-Rey'20)
  2. exploit **cross-country heterogeneity**: openness, trade w/ U.S., DCP, gross/net capital position

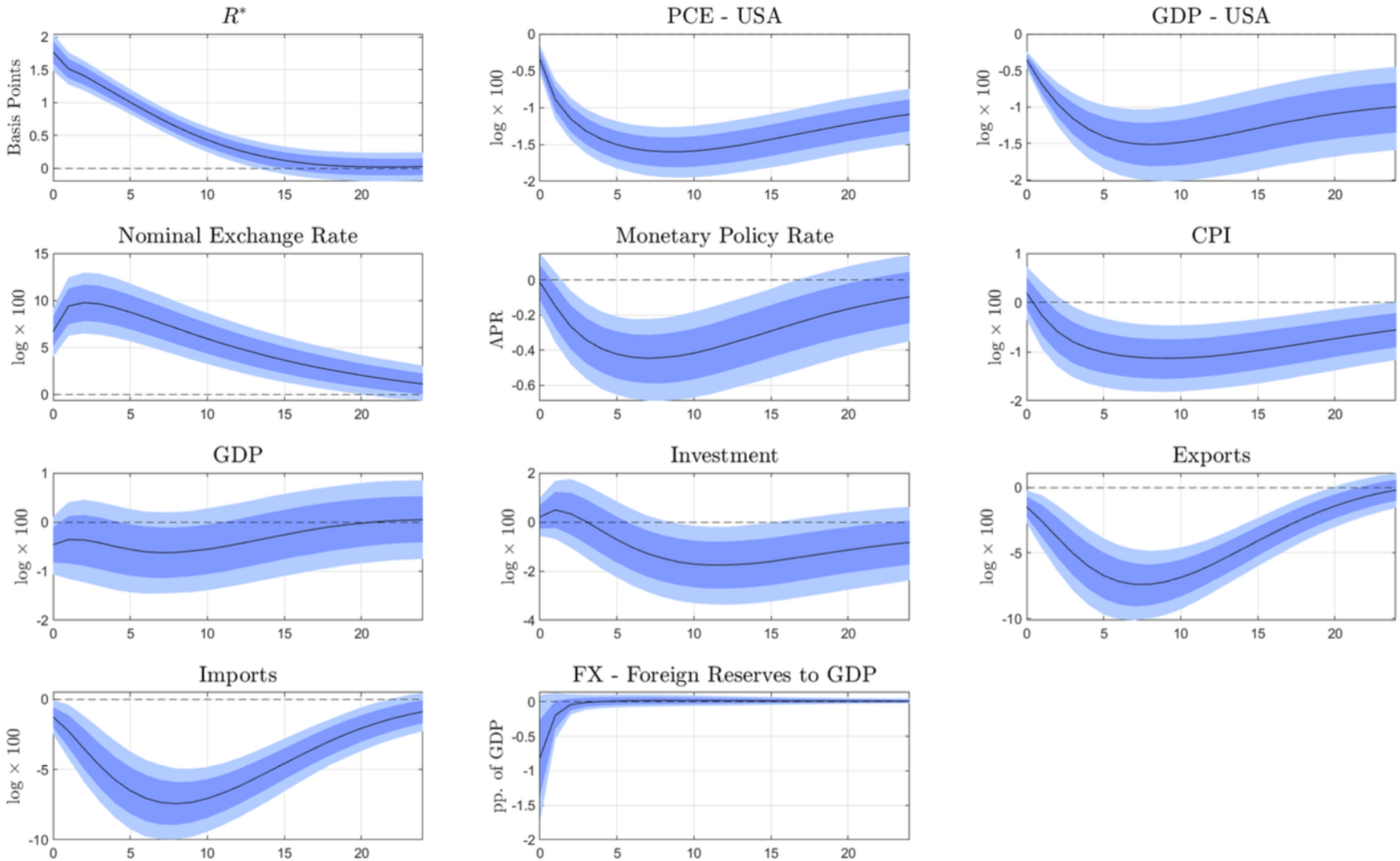
Other Comments

1. Can the model match unconditional moments?
2. Shut down other channels rather than U.S. shocks?
3. Why cannot the model reproduce imports response for AE?
4. Compare to recent literature (Ilzetzki-Jin'21, Cesa-Bianchi-Ferrero-Li'24)
5. Consider alternative policy rules (float vs. peg)

APPENDIX

Empirical Impulse Responses

Advanced Economies



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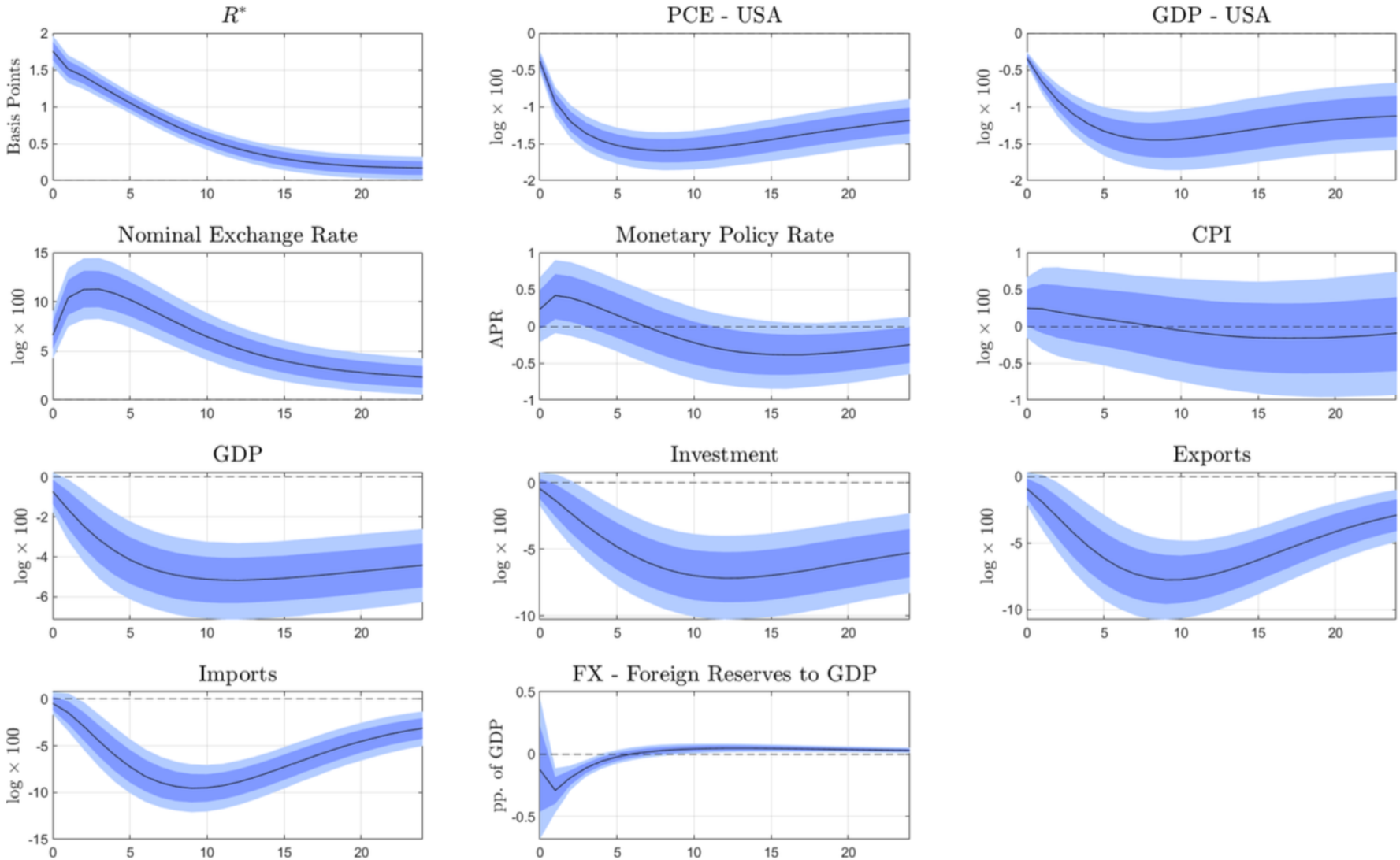
Emerging Economies



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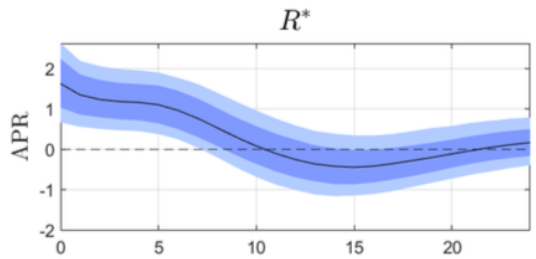

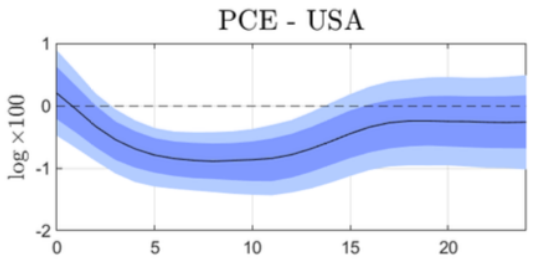

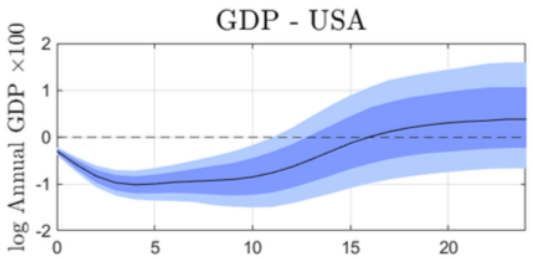

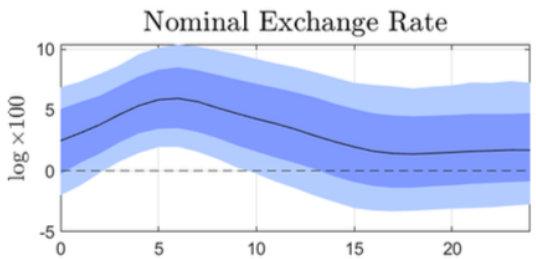

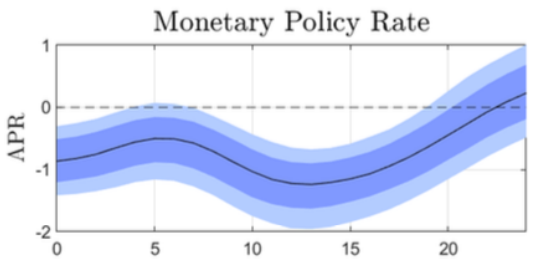

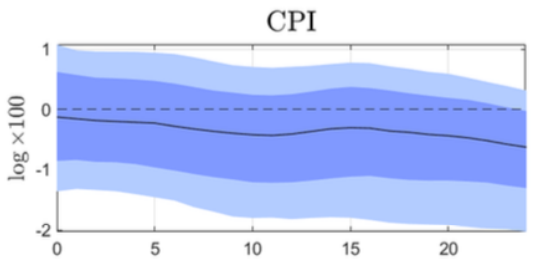

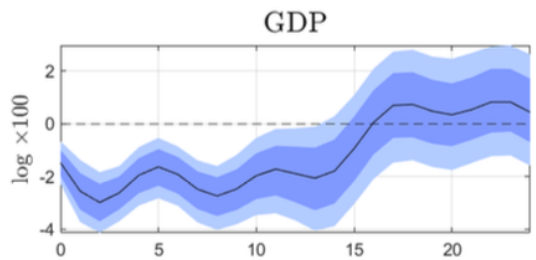

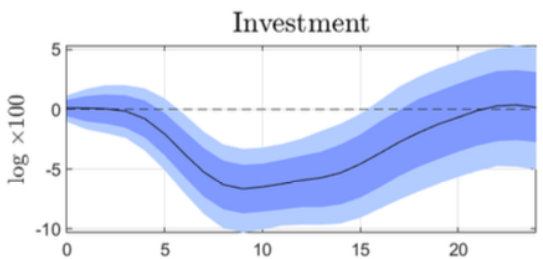

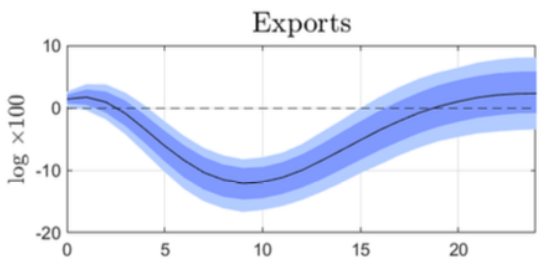

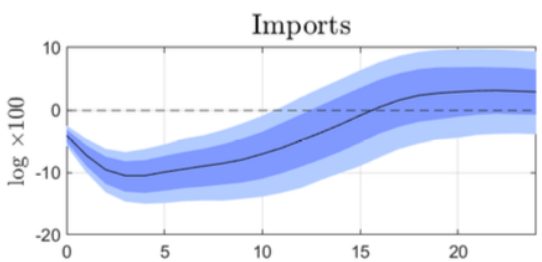

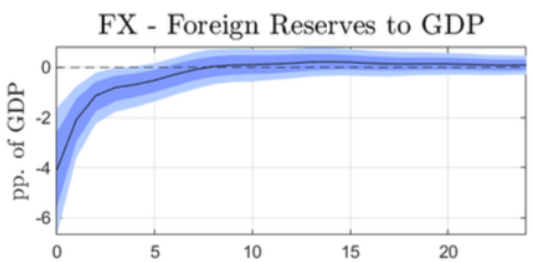

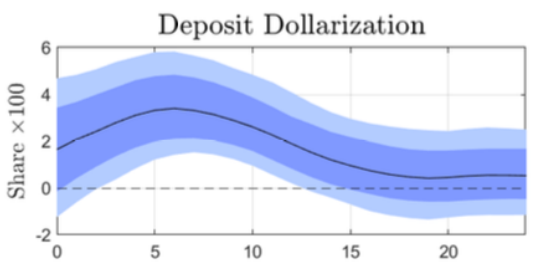

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