Discussion of : Alternative Monetary-Policy Instruments and Limited Credibility: An exploration

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* The findings, recommendations, interpretations, and conclusions expressed in this paper do not necessarily reflect the official view of Banco de la Republica.
Paper Summary

• Use of DSGE model for small and open economy to study the effect of external interest-rate shocks under alternative degrees of credibility and under three monetary policy strategies: Interest rate rule, constant money growth and exchange-rate peg.

• Under rational expectations, constant money growth seems to prevent contractionary effects and leads to better welfare results.

• Under limited credibility on monetary policy, interest rate rule seems to perform better in terms of welfare and volatilities.

• Robust model (endogenous external risk, banks, external habits and imperfect access to credit): None of the base results are refuted
Comments

• Interest-rate rule is the only countercyclical monetary policy. Do the positive results for constant money growth hold under a sequence of positive and negative external interest-rate shocks?
• It would be interesting to study alternative shocks (TFP).
• Do these results hold for alternative calibrations of the model? (advanced economy).
• Alternative robustness check: include government with active fiscal policy reactions and non-Ricardian households.
• This paper has a very interesting and complete analysis!