

This PDF is a selection from a published volume from the National Bureau of Economic Research

Volume Title: International Dimensions of Monetary Policy

Volume Author/Editor: Jordi Gali and Mark J. Gertler, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-27886-7

Volume URL: <http://www.nber.org/books/gert07-1>

Conference Date: June 11-13, 2007

Publication Date: February 2010

Chapter Title: Front matter, table of contents

Chapter Author: Jordi Gali, Mark J. Gertler

Chapter URL: <http://www.nber.org/chapters/c12007>

Chapter pages in book: (0 - x)



National  
Bureau of  
Economic  
Research

# International Dimensions of Monetary Policy

Edited by Jordi Galí  
and Mark Gertler

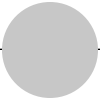
---

# **International Dimensions of Monetary Policy**



---

**A National Bureau  
of Economic Research  
Conference Report**



---

# **International Dimensions of Monetary Policy**

---

Edited by

**Jordi Galí and  
Mark Gertler**

**The University of Chicago Press**

Chicago and London

---

JORDI GALÍ is professor of economics at the Universitat Pompeu Fabra and a research associate of the National Bureau of Economic Research. MARK GERTLER is the Henry and Lucy Moses Professor of Economics at New York University and a research associate of the National Bureau of Economic Research.

---

The University of Chicago Press, Chicago 60637  
The University of Chicago Press, Ltd., London  
© 2009 by the National Bureau of Economic Research  
All rights reserved. Published 2009  
Printed in the United States of America

18 17 16 15 14 13 12 11 10 09 1 2 3 4 5  
ISBN-13: 978-0-226-27886-5 (cloth)  
ISBN-10: 0-226-27886-7 (cloth)

Library of Congress Cataloging-in-Publication Data

International dimensions of monetary policy / edited by Jordi Galí and Mark Gertler.

p. cm.—(National Bureau of Economic Research conference report)

Papers from a conference held June 2007 in Spain.

Includes bibliographical references and index.

ISBN-13: 978-0-226-27886-5 (alk. paper)

ISBN-10: 0-226-27886-7 (alk. paper)

1. Monetary policy—Congresses. 2. Globalization—Congresses.  
3. International finance—Congresses. I. Galí, Jordi, 1961—  
II. Gertler, Mark. III. Series: National Bureau of Economic  
Research conference report.

HG230.3.I576 2010

339.5'4—dc22

2009014293

⊗ The paper used in this publication meets the minimum requirements of the American National Standard for Information Sciences—Permanence of Paper for Printed Library Materials, ANSI Z39.48-1992.

---

## National Bureau of Economic Research

### Officers

John S. Clarkeson, *chairman*

Kathleen B. Cooper, *vice-chairman*

James M. Poterba, *president and chief executive officer*

Robert Mednick, *treasurer*

Kelly Horak, *controller and assistant corporate secretary*

Alterra Milone, *corporate secretary*

Gerardine Johnson, *assistant corporate secretary*

### Directors at Large

Peter C. Aldrich

Elizabeth E. Bailey

Richard B. Berner

John H. Biggs

John S. Clarkeson

Don R. Conlan

Kathleen B. Cooper

Charles H. Dallara

George C. Eads

Jessica P. Einhorn

Mohamed El-Erian

Jacob A. Frenkel

Judith M. Gueron

Robert S. Hamada

Karen N. Horn

John Lipsky

Laurence H. Meyer

Michael H. Moskow

Alicia H. Munnell

Rudolph A. Oswald

Robert T. Parry

James M. Poterba

John S. Reed

Marina v. N. Whitman

Martin B. Zimmerman

### Directors by University Appointment

George Akerlof, *California, Berkeley*

Jagdish Bhagwati, *Columbia*

Glen G. Cain, *Wisconsin*

Ray C. Fair, *Yale*

Franklin Fisher, *Massachusetts Institute of Technology*

Mark Grinblatt, *California, Los Angeles*

Saul H. Hymans, *Michigan*

Marjorie B. McElroy, *Duke*

Joel Mokyr, *Northwestern*

Andrew Postlewaite, *Pennsylvania*

Uwe E. Reinhardt, *Princeton*

Nathan Rosenberg, *Stanford*

Craig Swan, *Minnesota*

David B. Yoffie, *Harvard*

Arnold Zellner (Director Emeritus),  
*Chicago*

### Directors by Appointment of Other Organizations

Jean-Paul Chavas, *Agricultural and Applied Economics Association*

Gail D. Fosler, *The Conference Board*

Martin Gruber, *American Finance Association*

Timothy W. Guinnane, *Economic History Association*

Arthur B. Kennickell, *American Statistical Association*

Thea Lee, *American Federation of Labor and Congress of Industrial Organizations*

William W. Lewis, *Committee for Economic Development*

Robert Mednick, *American Institute of Certified Public Accountants*

Angelo Melino, *Canadian Economics Association*

Harvey Rosenblum, *National Association for Business Economics*

John J. Siegfried, *American Economic Association*

### Directors Emeriti

Andrew Brimmer

Carl F. Christ

George Hatsopoulos

Lawrence R. Klein

Franklin A. Lindsay

Paul W. McCracken

Peter G. Peterson

Richard N. Rosett

Eli Shapiro

Arnold Zellner

## **Relation of the Directors to the Work and Publications of the National Bureau of Economic Research**

1. The object of the NBER is to ascertain and present to the economics profession, and to the public more generally, important economic facts and their interpretation in a scientific manner without policy recommendations. The Board of Directors is charged with the responsibility of ensuring that the work of the NBER is carried on in strict conformity with this object.

2. The President shall establish an internal review process to ensure that book manuscripts proposed for publication DO NOT contain policy recommendations. This shall apply both to the proceedings of conferences and to manuscripts by a single author or by one or more co-authors but shall not apply to authors of comments at NBER conferences who are not NBER affiliates.

3. No book manuscript reporting research shall be published by the NBER until the President has sent to each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the above principles of the NBER. Such notification will include a table of contents and an abstract or summary of the manuscript's content, a list of contributors if applicable, and a response form for use by Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied and the main conclusions reached.

4. No volume shall be published until forty-five days have elapsed from the above notification of intention to publish it. During this period a copy shall be sent to any Director requesting it, and if any Director objects to publication on the grounds that the manuscript contains policy recommendations, the objection will be presented to the author(s) or editor(s). In case of dispute, all members of the Board shall be notified, and the President shall appoint an ad hoc committee of the Board to decide the matter; thirty days additional shall be granted for this purpose.

5. The President shall present annually to the Board a report describing the internal manuscript review process, any objections made by Directors before publication or by anyone after publication, any disputes about such matters, and how they were handled.

6. Publications of the NBER issued for informational purposes concerning the work of the Bureau, or issued to inform the public of the activities at the Bureau, including but not limited to the NBER Digest and Reporter, shall be consistent with the object stated in paragraph 1. They shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The Executive Committee of the Board is charged with the review of all such publications from time to time.

7. NBER working papers and manuscripts distributed on the Bureau's web site are not deemed to be publications for the purpose of this resolution, but they shall be consistent with the object stated in paragraph 1. Working papers shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The NBER's web site shall contain a similar disclaimer. The President shall establish an internal review process to ensure that the working papers and the web site do not contain policy recommendations, and shall report annually to the Board on this process and any concerns raised in connection with it.

8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.



---

# Contents

---

|  |     |
|--|-----|
| <b>Introduction</b>  | 1   |
| Jordi Galí and Mark Gertler  |     |
| <b>I. BASELINE MODELS FOR INTERNATIONAL MONETARY POLICY ANALYSIS</b> |     |
| <b>1. Globalization and Monetary Control</b>                         | 13  |
| Michael Woodford   |     |
| <i>Comment:</i> David Romer  |     |
| <b>2. The Transmission of Domestic Shocks in Open Economies</b>      | 89  |
| Christopher Erceg, Christopher Gust, and David López-Salido          |     |
| <i>Comment:</i> Malin Adolfson                                       |     |
| <b>3. International Transmission and Monetary Policy Cooperation</b> | 157 |
| Günter Coenen, Giovanni Lombardo, Frank Smets, and Roland Straub     |     |
| <i>Comment:</i> Christopher A. Sims                                  |     |
| <b>II. EXTENDING THE BASELINE MODELS TO ADDRESS POLICY ISSUES</b>    |     |
| <b>4. Current Account Dynamics and Monetary Policy</b>               | 199 |
| Andrea Ferrero, Mark Gertler, and Lars E. O. Svensson                |     |
| <i>Comment:</i> Paolo Pesenti  |     |

- 5. Monetary Rules in Emerging Economies with Financial Market Imperfections** 251  
Nicoletta Batini, Paul Levine, and Joseph Pearlman  
*Comment:* Frederic S. Mishkin
- 6. Optimal Monetary Policy and the Sources of Local-Currency Price Stability** 319  
Giancarlo Corsetti, Luca Dedola, and Sylvain Leduc  
*Comment:* Philippe Bacchetta

### III. EMPIRICAL ISSUES IN INTERNATIONAL MONETARY POLICY ANALYSIS

- 7. The Macroeconomic Effects of Oil Price Shocks: Why Are the 2000s so Different from the 1970s?** 373  
Olivier J. Blanchard and Jordi Galí  
*Comment:* Julio J. Rotemberg
- 8. Global Forces and Monetary Policy Effectiveness** 429  
Jean Boivin and Marc P. Giannoni  
*Comment:* Lucrezia Reichlin  
*Rejoinder by Jean Boivin and Marc P. Giannoni*
- 9. Monetary Policy in Europe versus the United States: What Explains the Difference?** 489  
Harald Uhlig  
*Comment:* Andrew Levin
- 10. Globalization and Inflation Dynamics: The Impact of Increased Competition** 547  
Argia M. Sbordone  
*Comment:* Tommaso Monacelli

### IV. GENERAL OBSERVATIONS

- 11. The Effects of Globalization on Inflation, Liquidity, and Monetary Policy** 593  
Lucas Papademos
- 12. Globalization and Monetary Policy: Missions Impossible** 609  
John B. Taylor

|   |     |
|---|-----|
| <b>Panel Remarks</b>  | 625 |
| Donald L. Kohn, Board of Governors of the<br>Federal Reserve System |     |
| Rakesh Mohan, Reserve Bank of India                                 |     |
| José Viñals, Bank of Spain  |     |
| Contributors  | 639 |
| Author Index  | 643 |
| Subject Index   | 649 |

