

# Global implications of multi-dimensional US monetary policy normalization

Georgios Georgiadis and Marek Jarociński

Discussion by Katharina Bergant

The views expressed in this discussion are mine and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

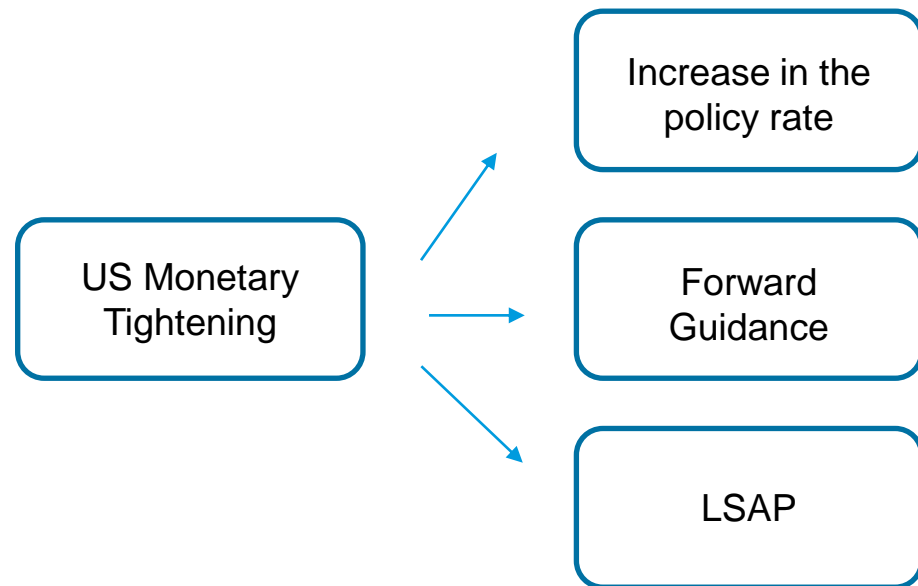
# What the paper looks at

1.) Identification of different shocks

US Monetary  
Tightening

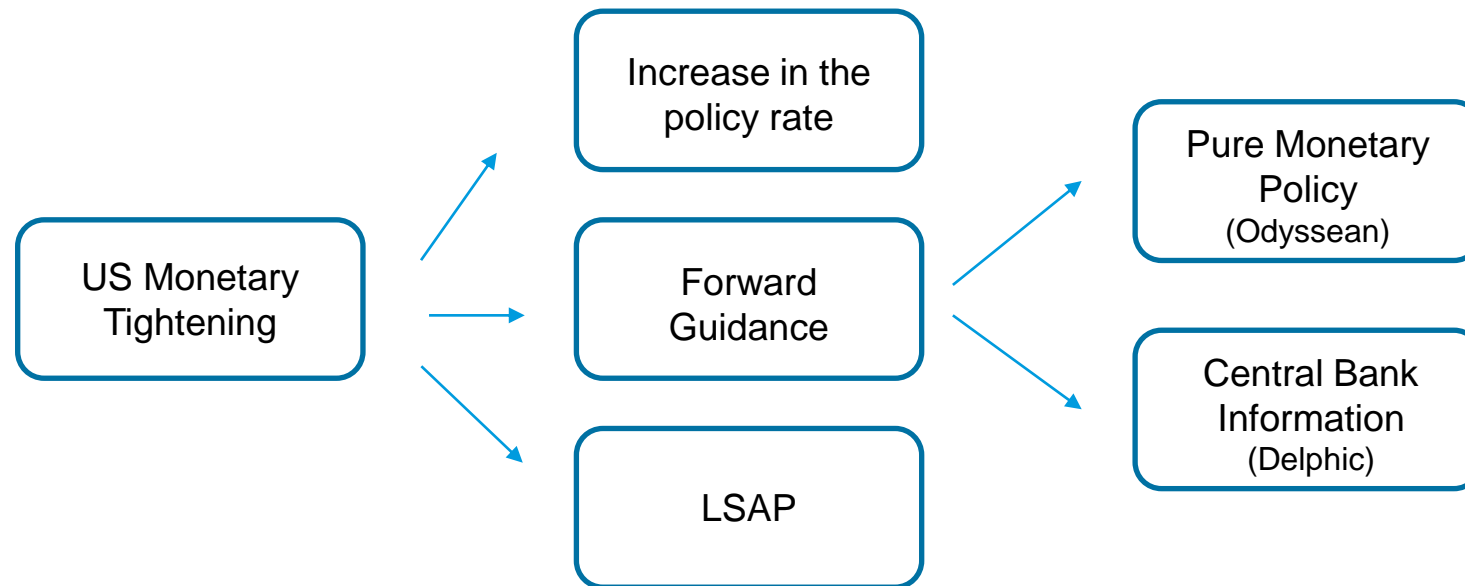
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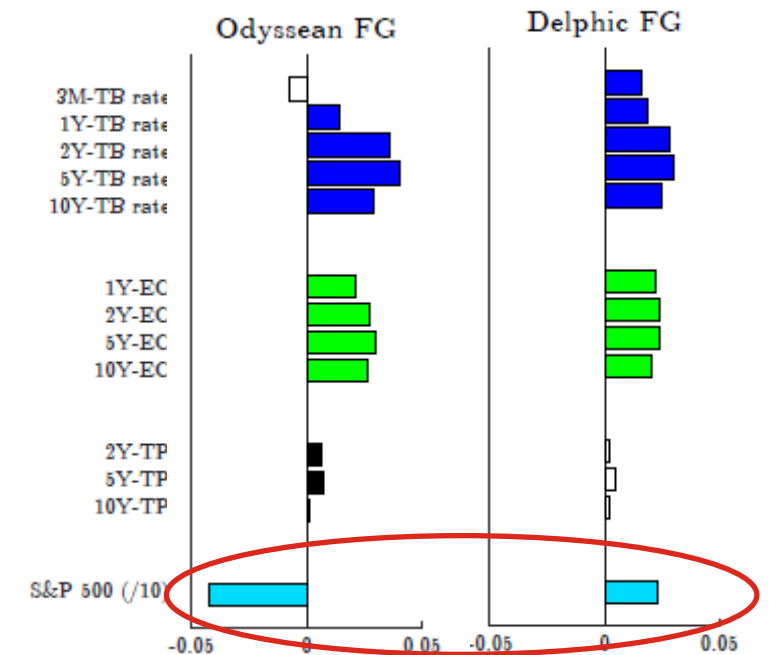
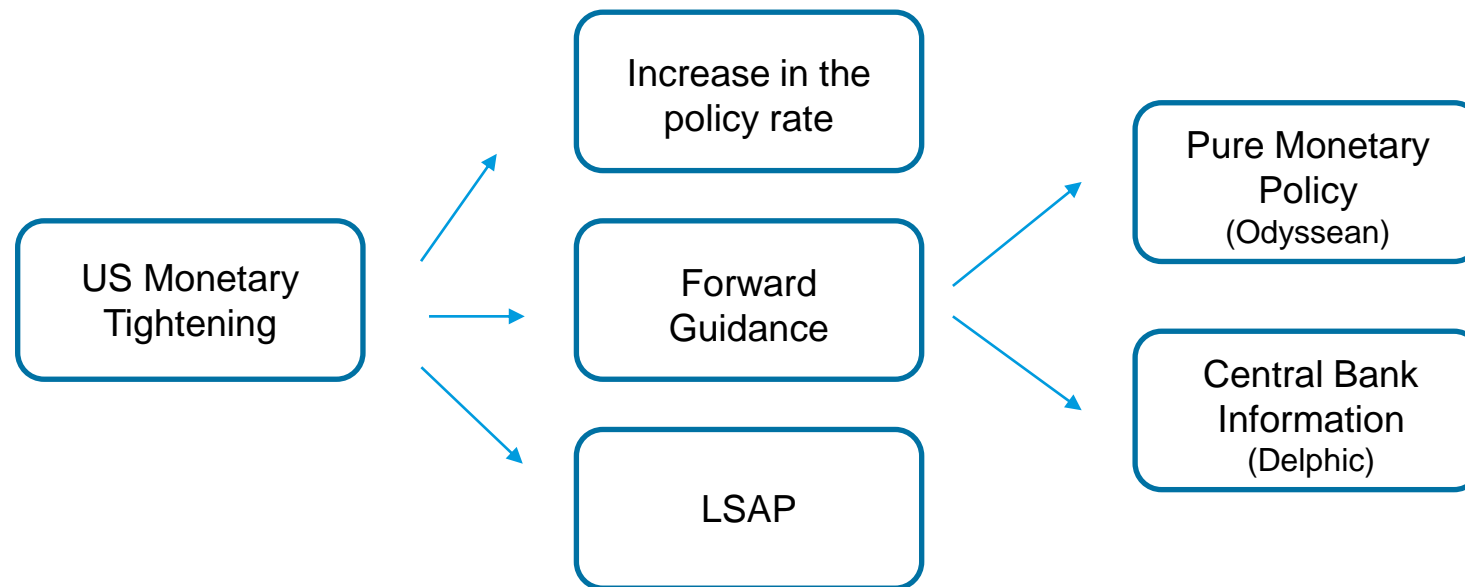
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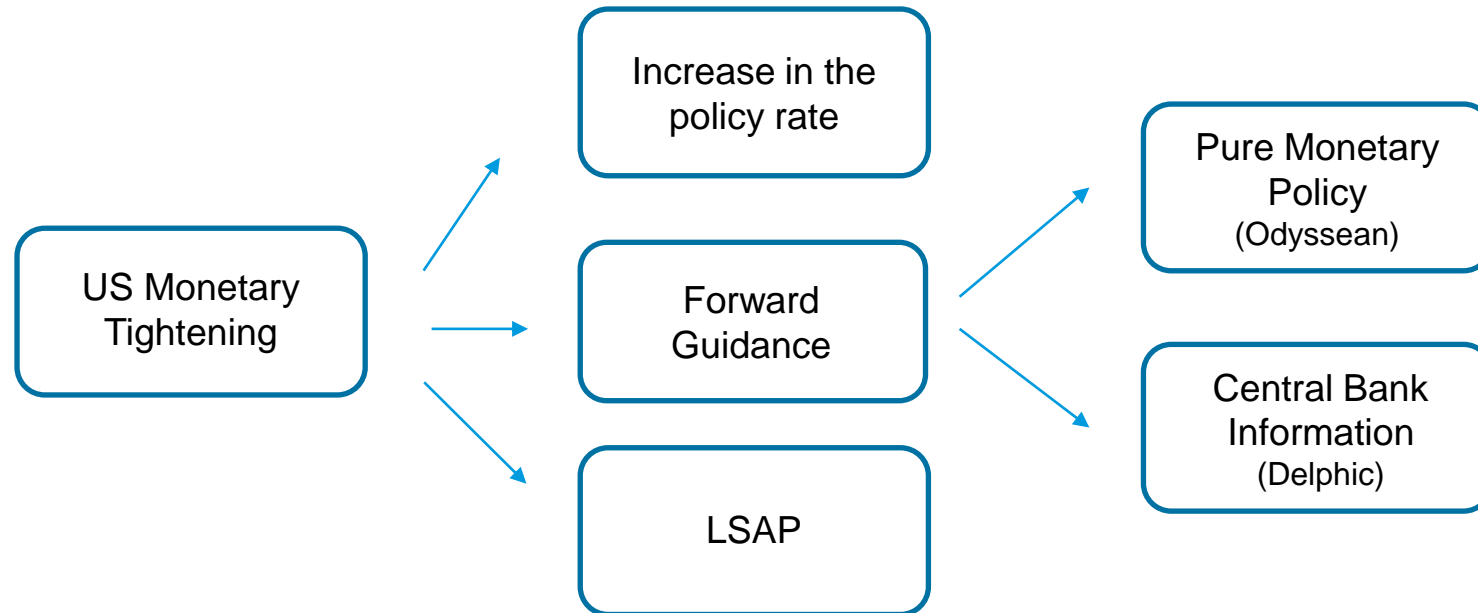
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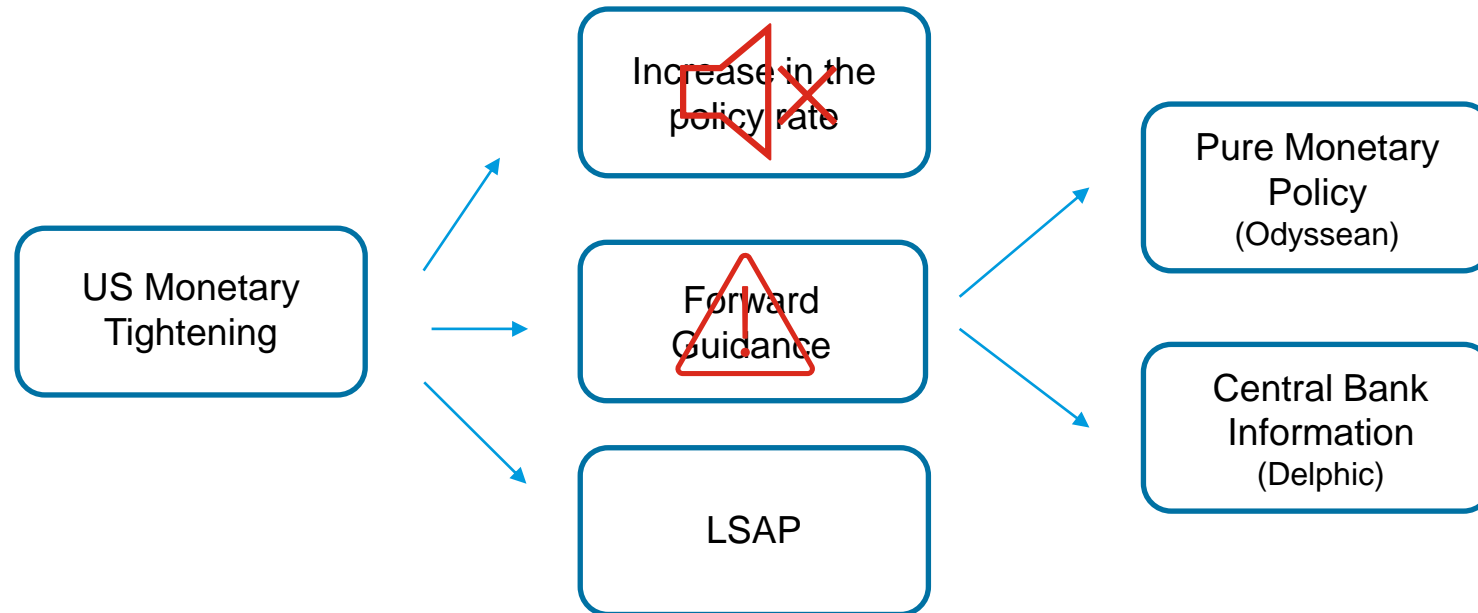
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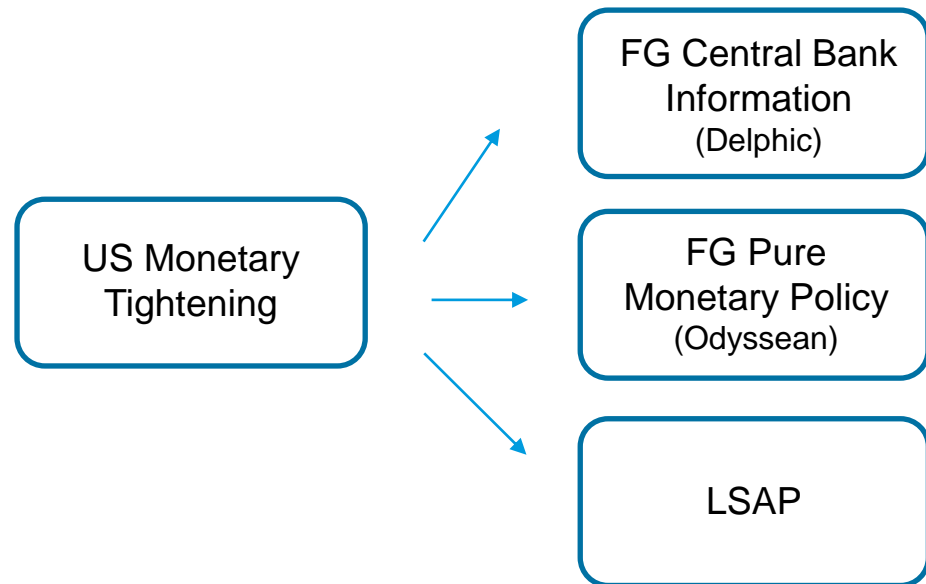
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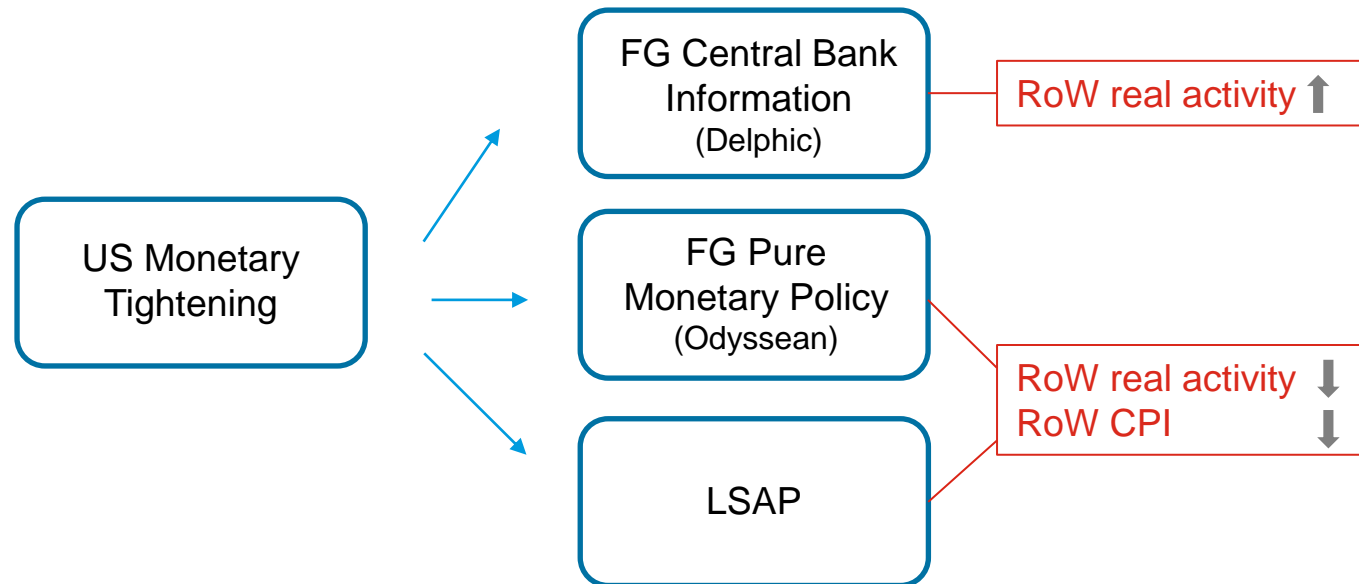
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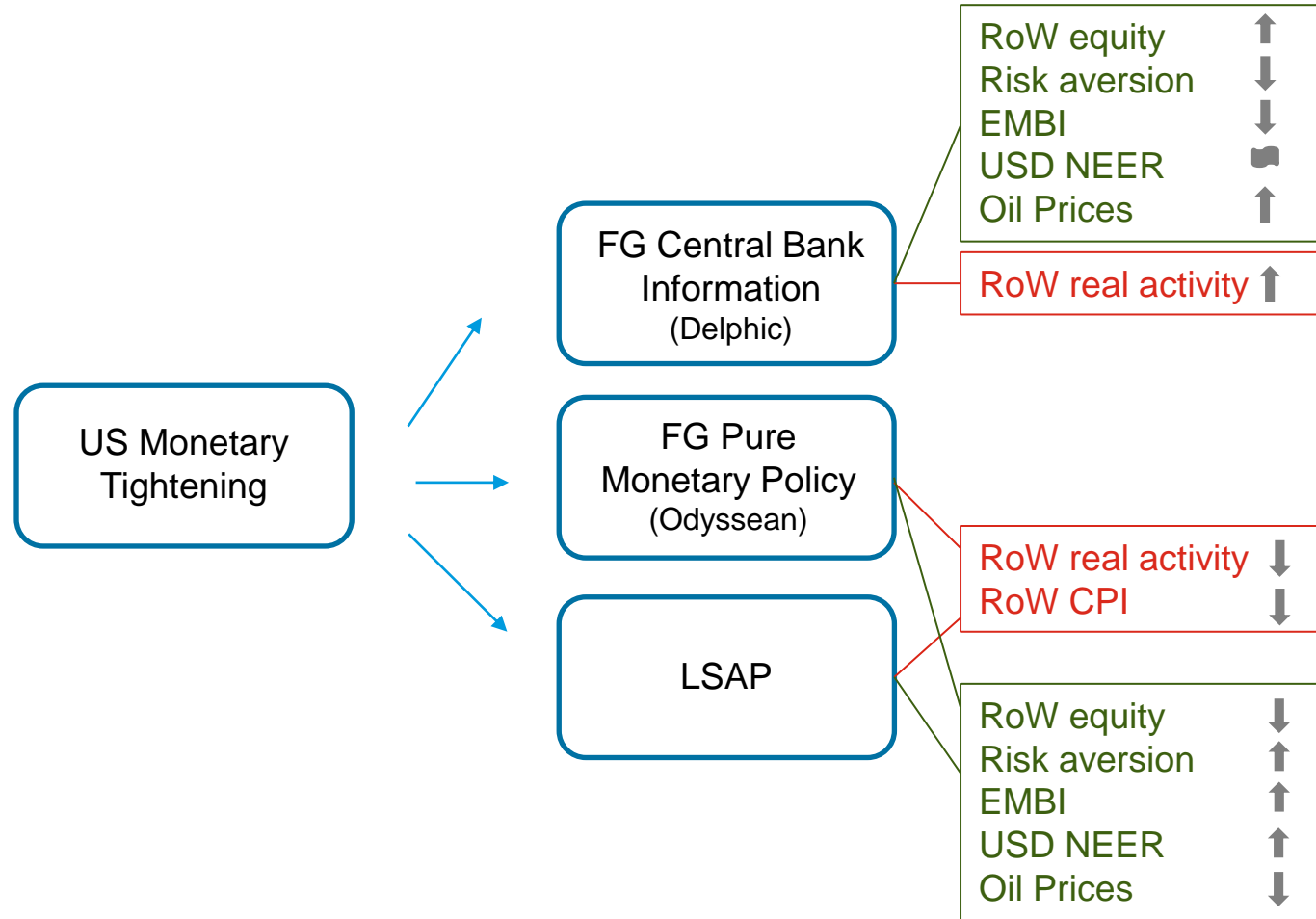
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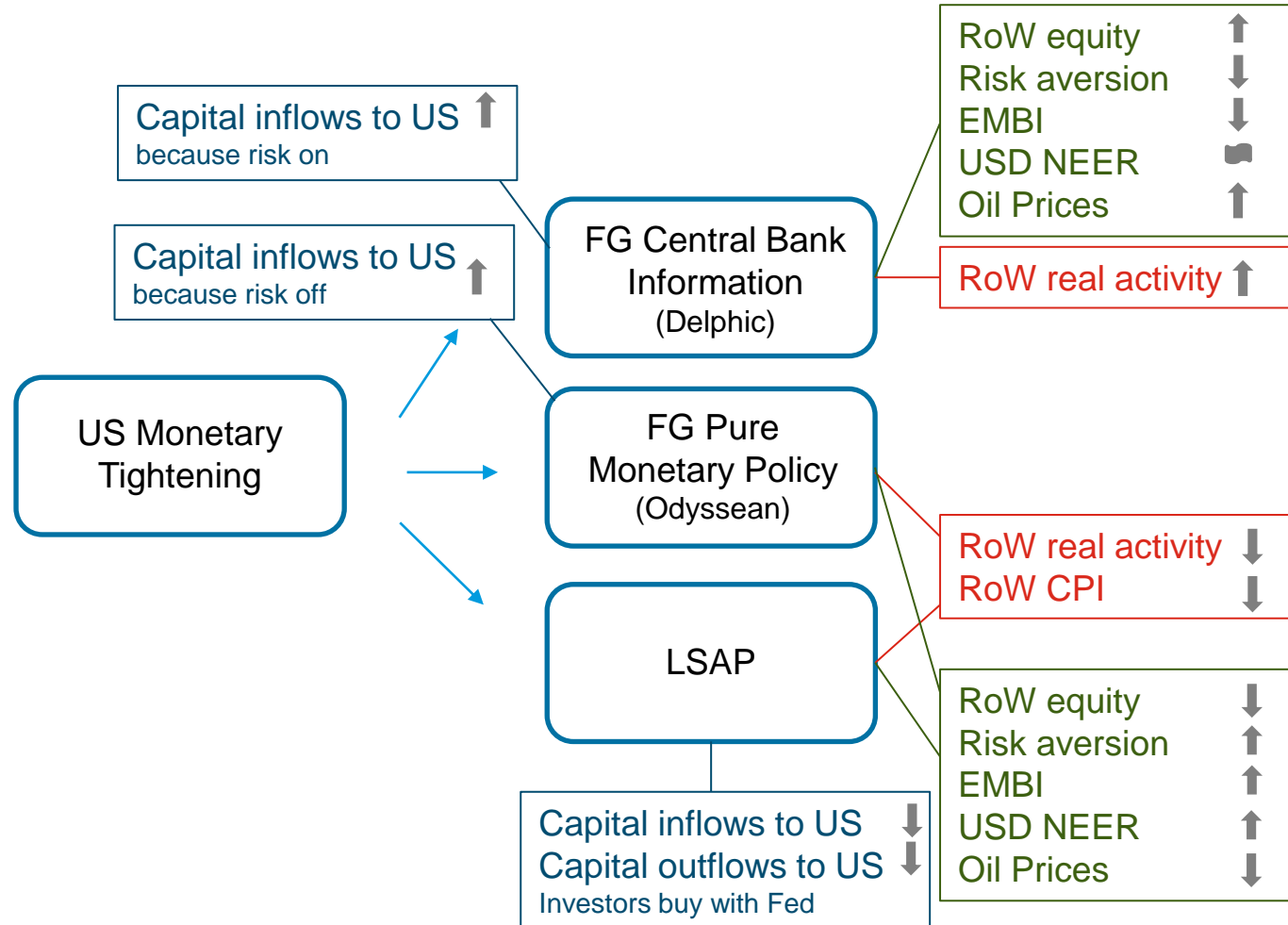
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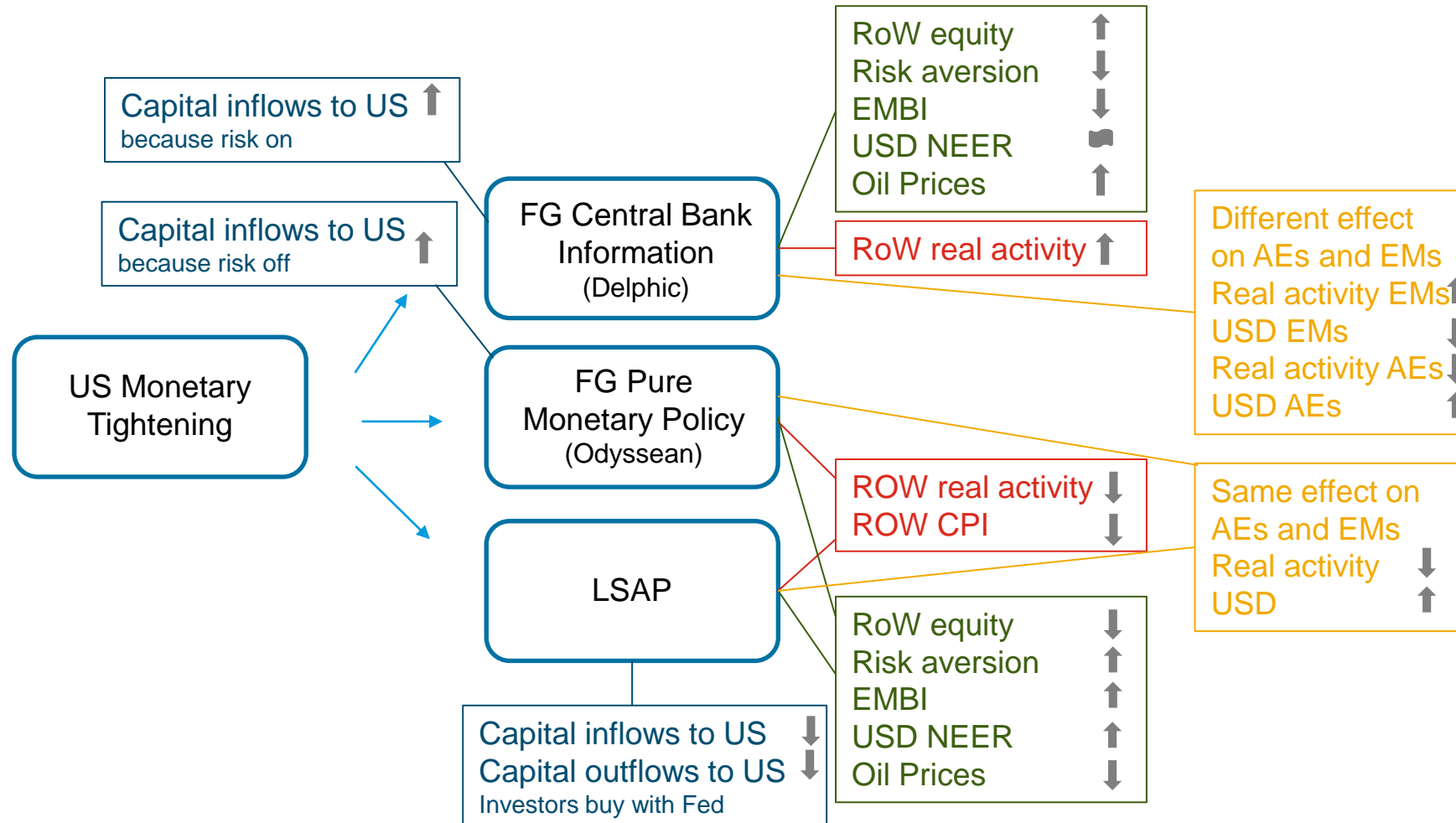
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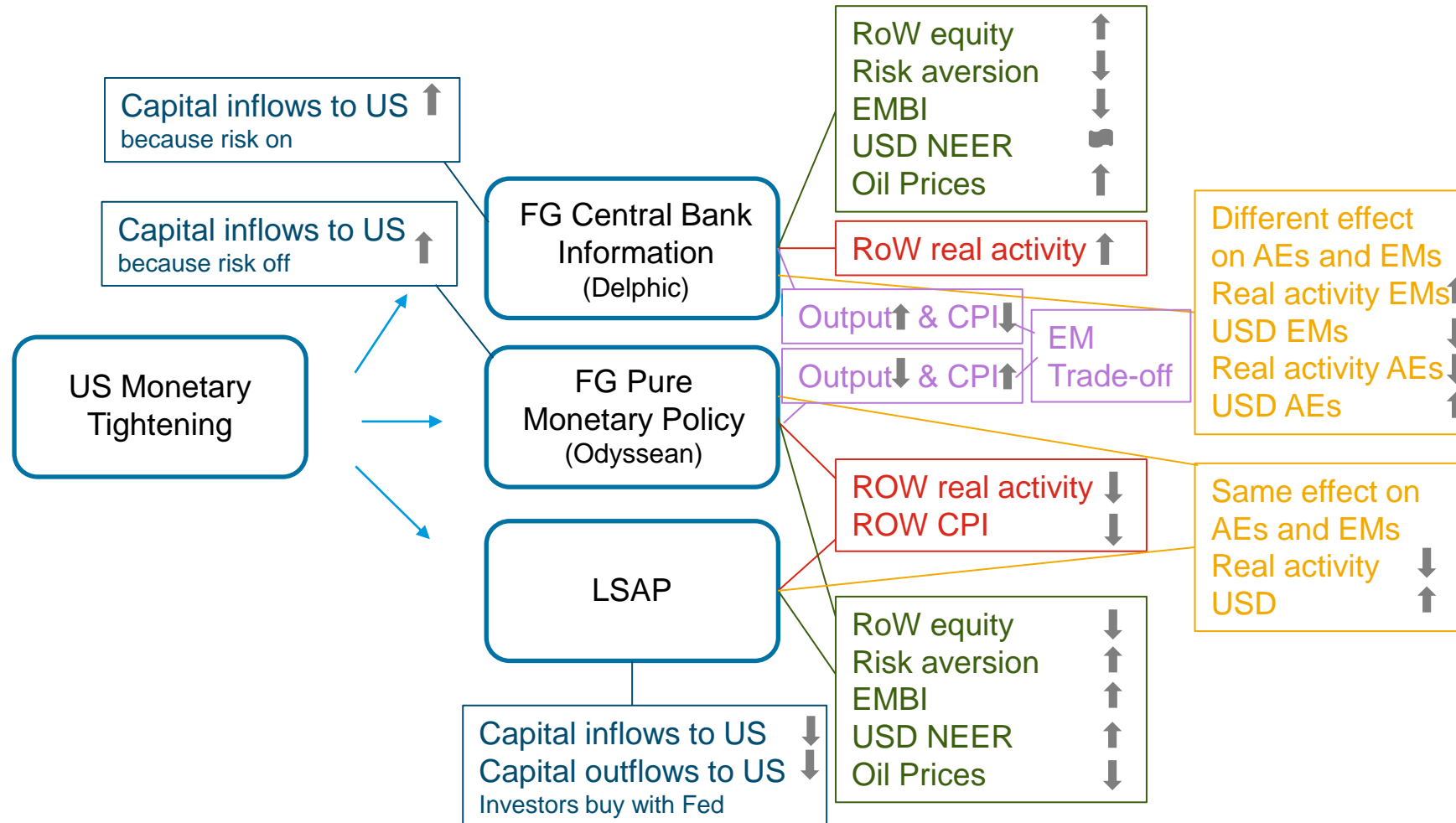
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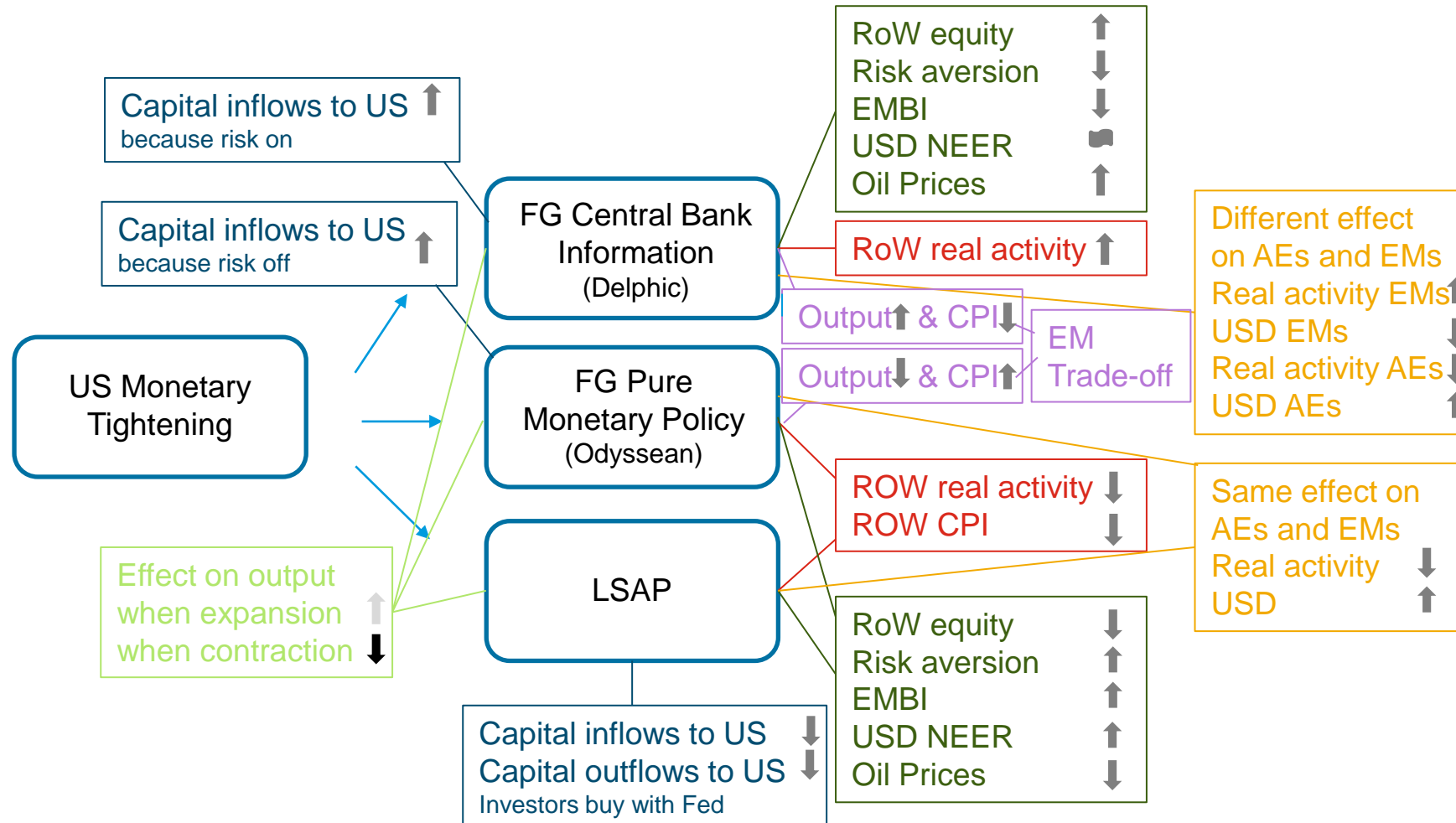
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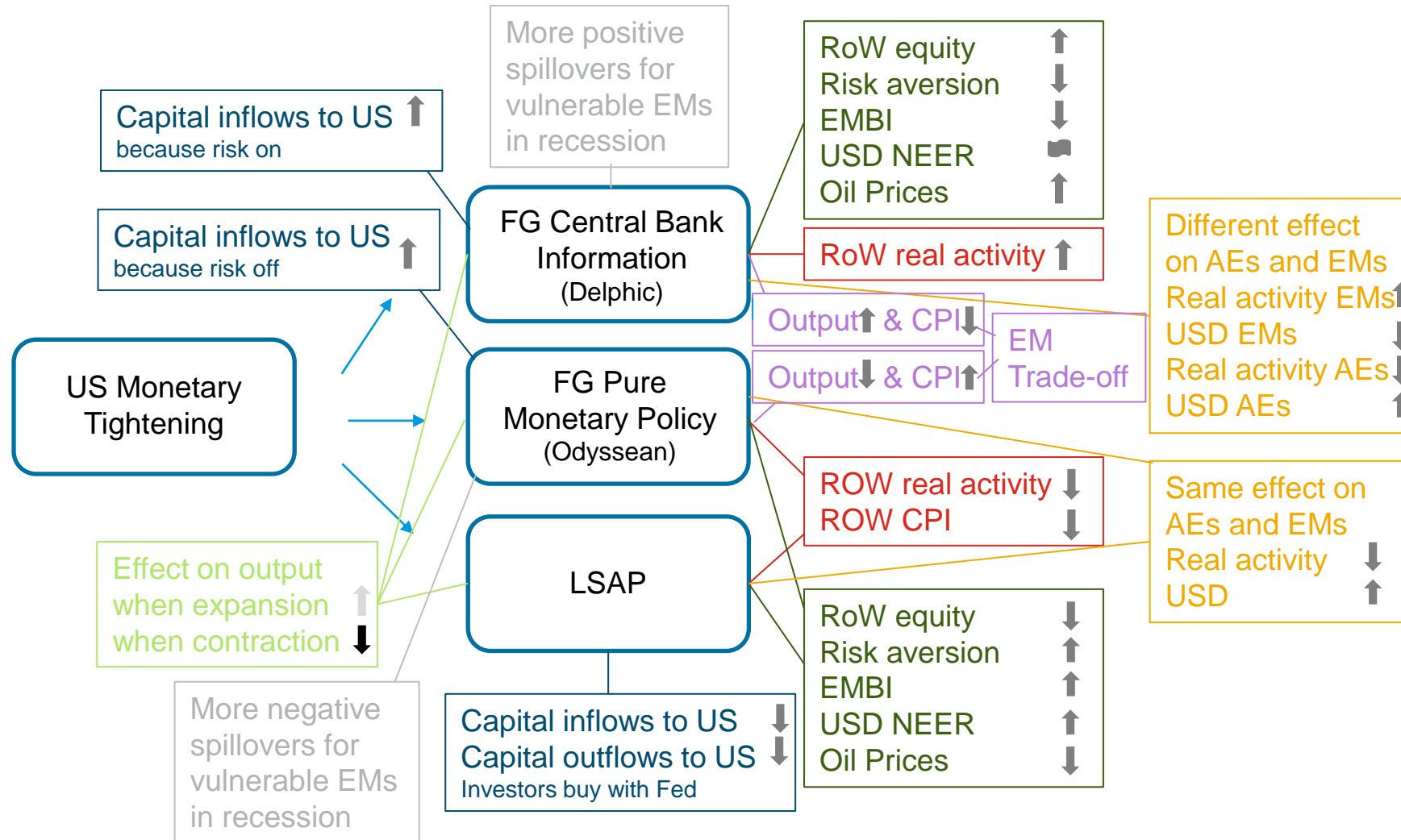
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# Some comments

1.) Mechanisms and intuition

2.) Identification

- Of the effects and their non-linearities
- Of the shock itself



# Some comments

## MECHANISMS AND INTUITION

- There are many findings to digest
- Leaves reader wondering about mechanisms/intuition behind findings
  - Could improve concrete policy relevance/advice

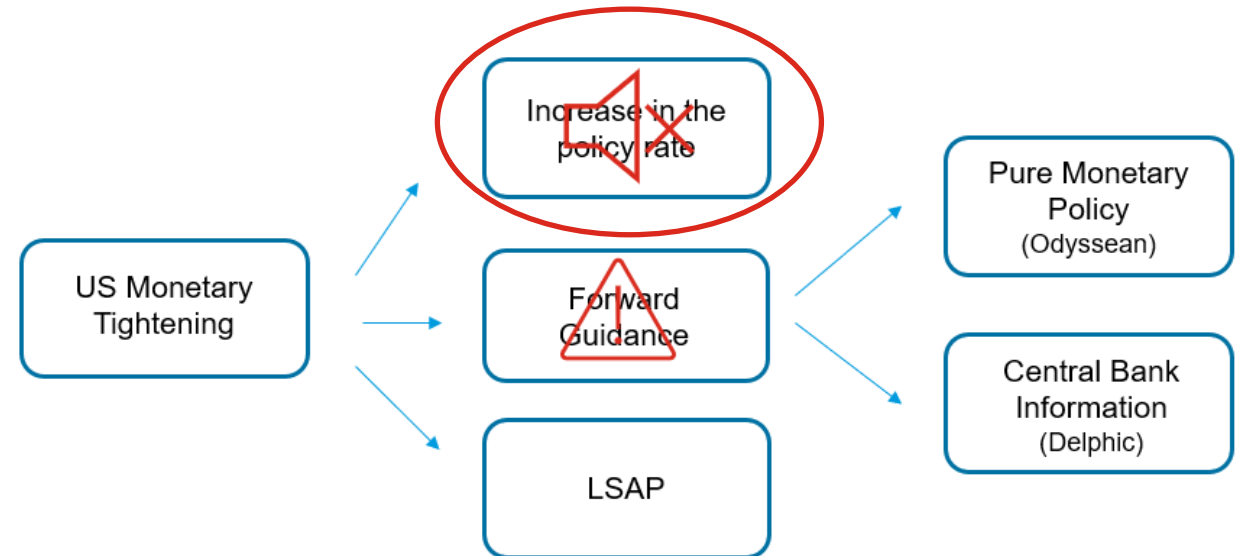
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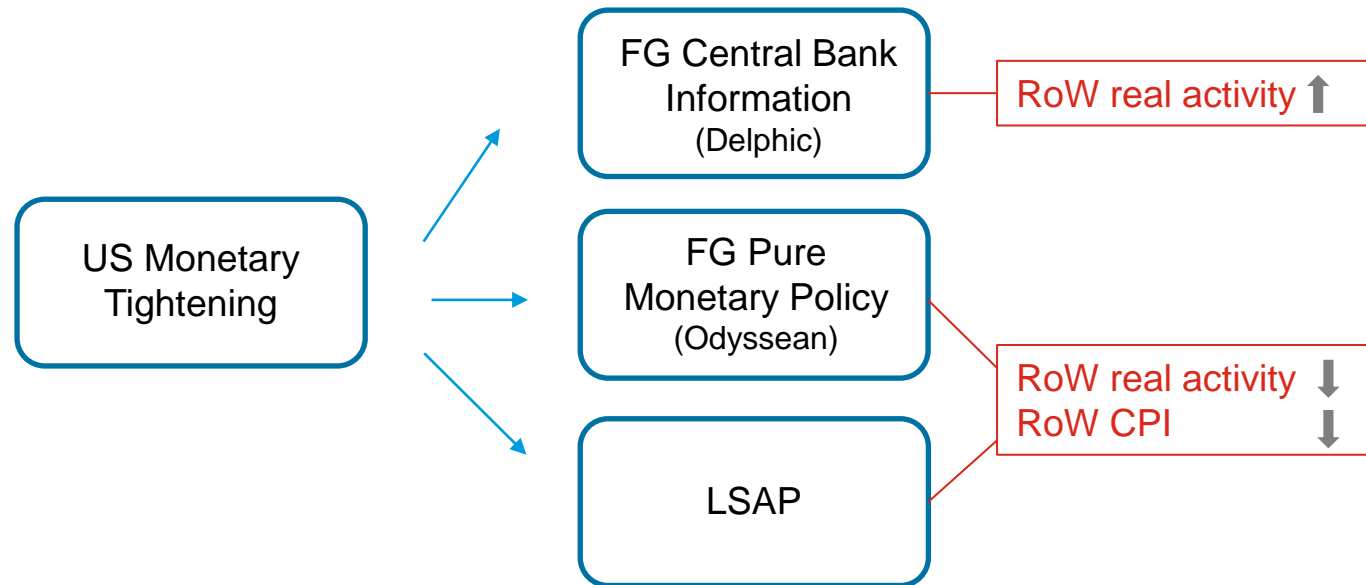
What is the intuition that increases in interest rates have almost no spillovers on the RoW?

- Do countries not care about interest rate differential?
- Heterogeneity in affectedness (by interest rate changes) could help find the underlying mechanism



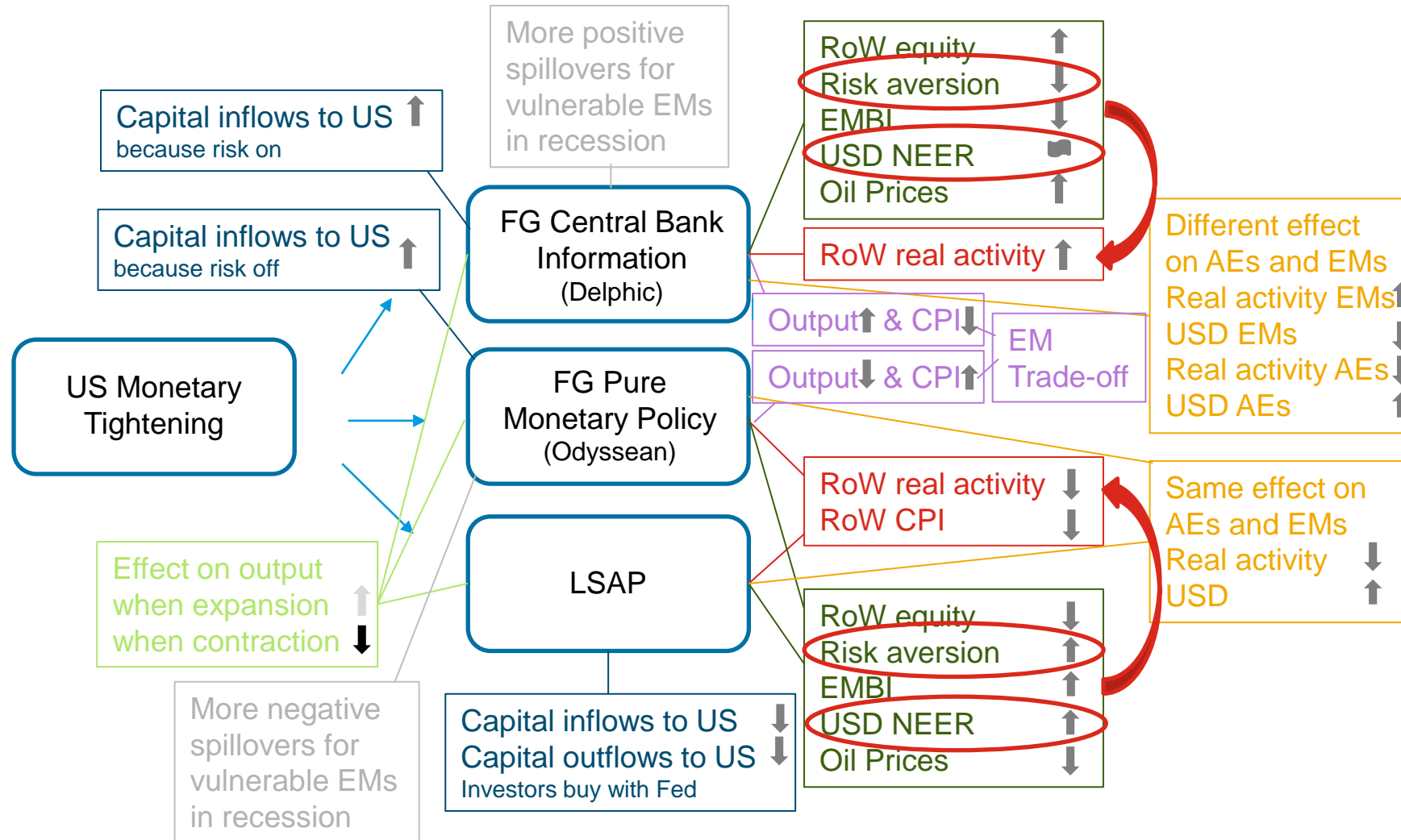
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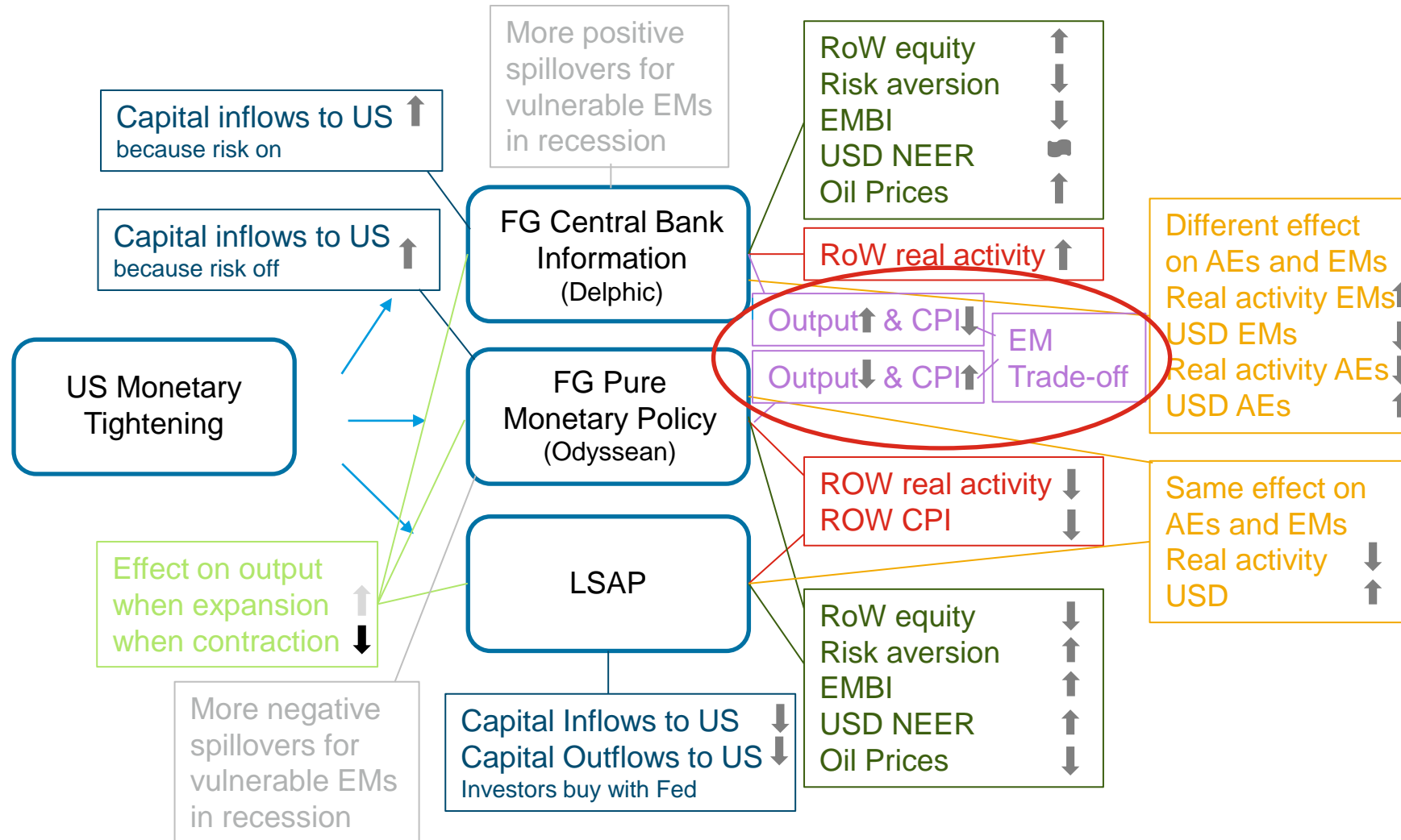
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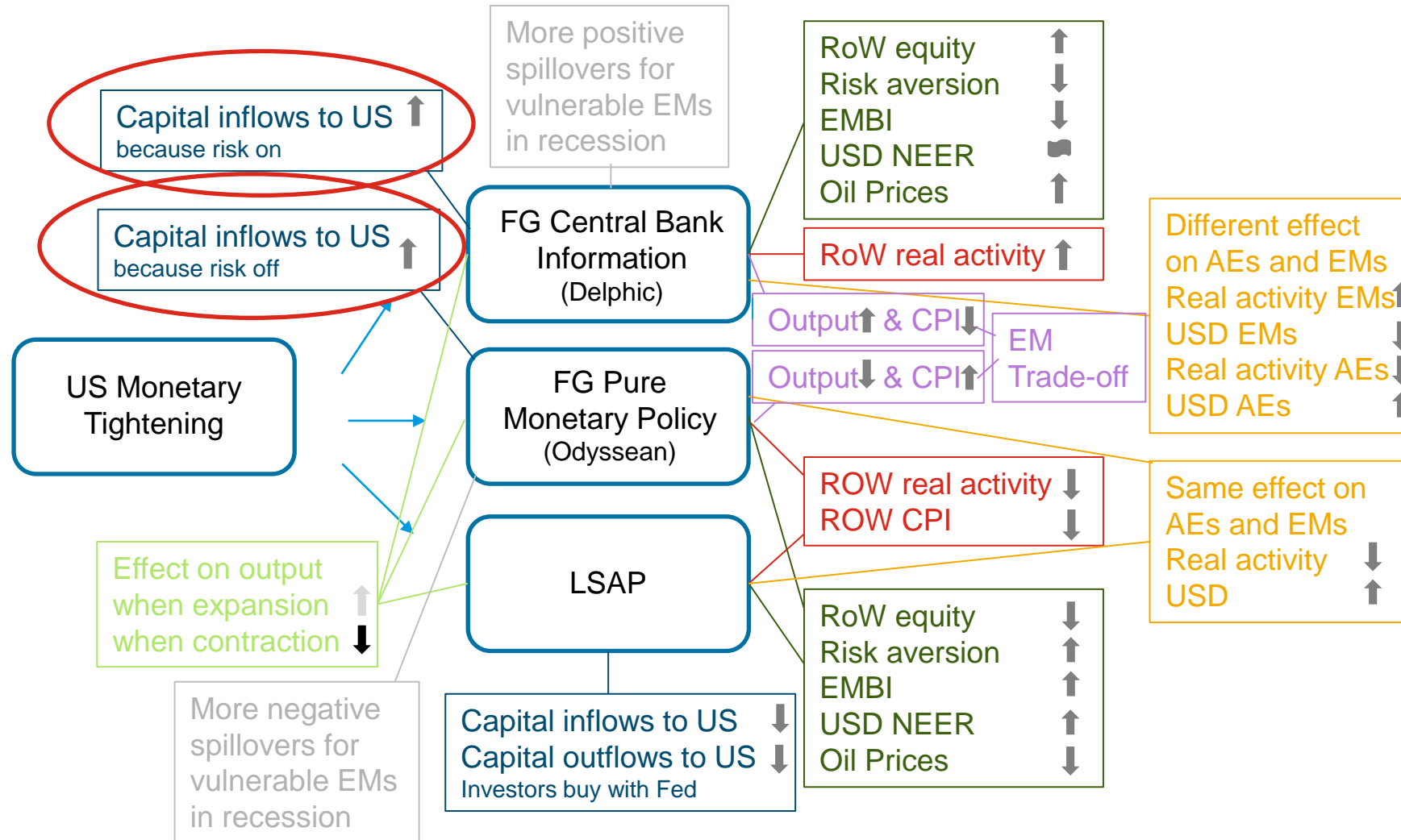
## MECHANISMS AND INTUITION

“With PMPs, EMs face a trade-off between low output and high prices”

- If they hike to fight inflation, they risk even lower output
- If they do not act or loosen monetary policy to close output gap, they risk higher inflation
  
- For policy maker to take a decision, needs to know where inflation comes from
  - Through higher prices in the core
  - Stronger USD
- And where low output comes from
  - Increasing funding costs
  - Uncertainty

# Some Comments

## MECHANISMS AND INTUITION



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## MECHANISMS AND INTUITION

“For Delphic tightening, foreigners buy (risky) US equity”

“For PMP, foreigners buy public US bonds/show flight to safety”

- Especially the first could potentially be a financial stability concern
  - Effect driven by more supply of or more demand for risky assets?
    - Financial Markets data
  - Who is buying this? And are they selling as soon as this reverses?
    - SSHS data on European investors by sector
    - Could help with designing sectoral regulation



# Some comments

## IDENTIFICATION

### Of the effects:

1.) The data is sliced along various dimensions

- “Limited spillovers when U.S. in expansion”
- How many periods do we have where US tightens in (i) expansionary and (ii) contractionary period?

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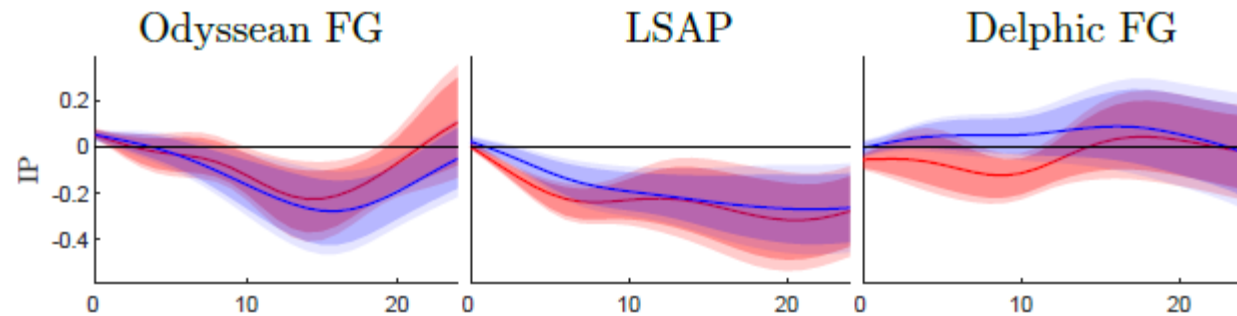
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2.) Significance

“Delphic FG is expansionary for EMs  
and contractionary for AEs”

Figure 12: AE (red) and EME (blue) impulse responses to US monetary policy shocks



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### Of the shocks:

Are from paper Jarociński (ECB WP, 2021)

- Generally estimated – as the hard data would mix PMP and CBI
- Builds on paper Karadi & Jarociński et al. (AEJ Macro, 2020)
- New: splits shocks in conventional and UMP

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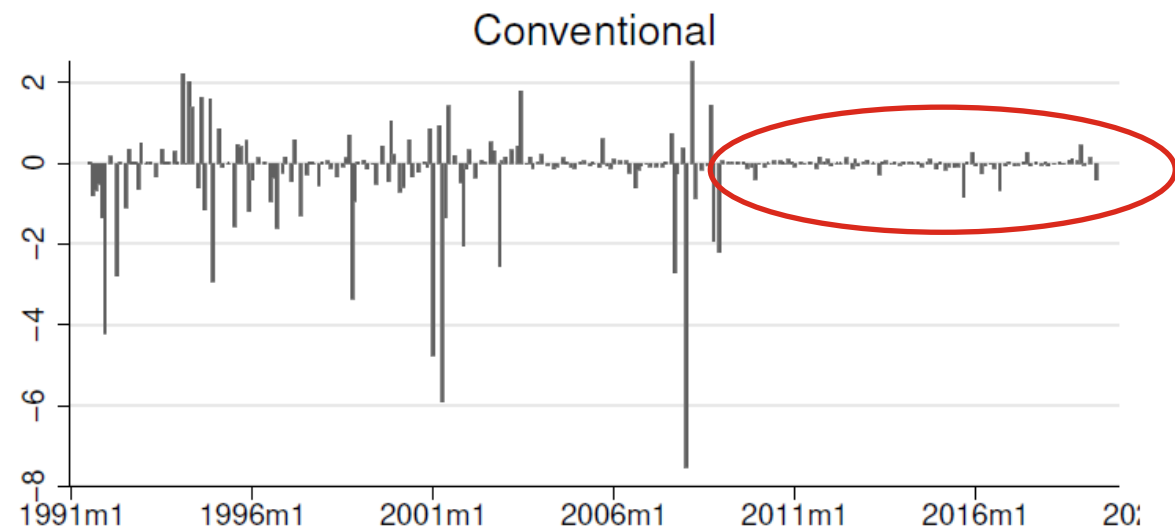
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Looks in line with ex-ante expectations given the interpretation  
-> ZLB since ~ GFC



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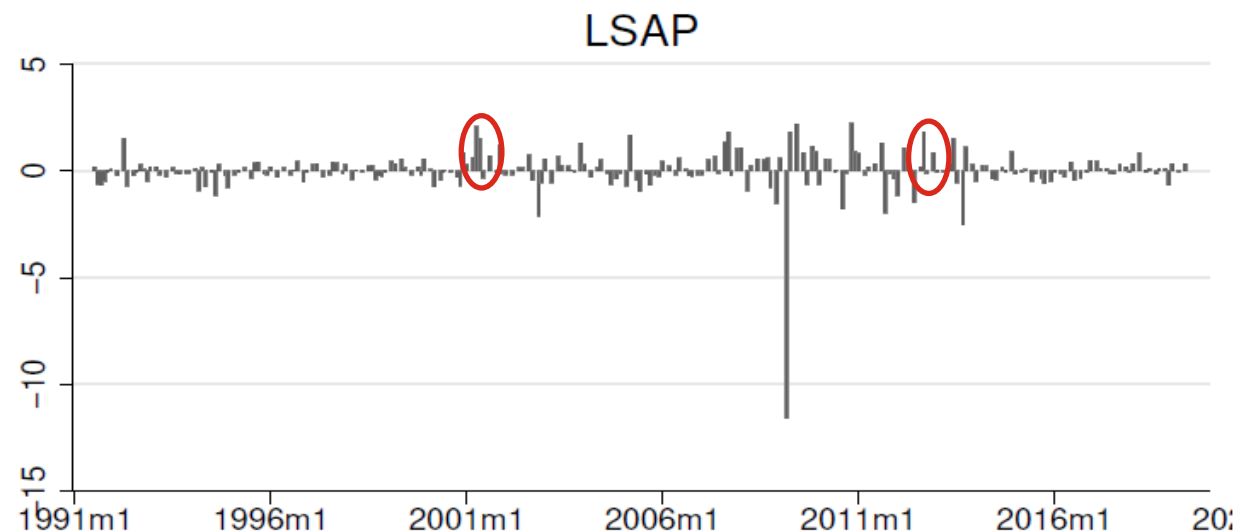
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Looks surprising as shocks around Taper Tantrum similar to time before LSAPs started



# Conclusion

- This is a great paper on a policy relevant and timely topic
- Very well written and carefully done
- Very comprehensive on what happens after different monetary policy shocks while simultaneously considering
  - different tools
  - PMP and CBI effects
- For improved (policy) relevance/recommendations: could provide mechanisms or clear intuition behind some of the many findings