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Autore	Batini Nicoletta
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Optimal Policy: No ZLB Constraint; 3. Optimal Policy with a ZLB Constraint: Monetary Policy Only for Model I
4. Optimal Commitment with a ZLB Constraint. Monetary Plus Fiscal Policy for Model I5. Welfare Outcomes Under Optimal Policy: ZLB Constraint; 6. Welfare Decomposition of Shocks; 7. Welfare Outcomes Under Optimized Simple Rules: FLEX (D) with a Conventional Fiscal Rule. Models I, II and III; 8. Welfare Outcomes Under Optimized Simple Rules: FIX with a Conventional Fiscal Rule. Models I, II and III; 9. Welfare Outcomes Under Optimized Simple Rules: FLEX(C) with a Conventional Fiscal Rule. Models I, II and III
10. Welfare Outcomes Under Optimized Simple Rules: FLEX(D) with a Modified SFSR. Models I, II and IIIAppendixes; 1. The Steady State; 2. Linearization; 3. Calibration and Estimation; 4. Quadratic Approximation of the Welfare Loss

Sommario/riassunto

We develop a optimal rules-based interpretation of the 'three pillars macroeconomic policy framework': a combination of a freely floating exchange rate, an explicit target for inflation, and a mechanism than ensures a stable government debt-GDP ratio around a specified long run. We show how such monetary-fiscal rules need to be adjusted to accommodate specific features of emerging market economies. The model takes the form of two-blocs, a DSGE emerging small open economy interacting with the rest of the world and features, in particular, financial frictions It is calibrated using Chile and US