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Nota di contenuto	Cover; Contents; 1. Introduction; 2. The Model; 2.1 Households; 2.2 Firms; 2.2.1 Production Firms; 2.2.2 Importing Firms; 2.2.3 Unfinished Capital Producing Firms; 2.3 Entrepreneurs; 2.4 Monetary Policy; 2.5 General Equilibrium and Balance of Payments Dynamics; 3. Solution and Parametrization; 3.1 Consumption, Production and Monetary Policy; 3.2 Entrepreneurs; 4. Financial Crisis and the Domestic Economy; 4.1 Model Dynamics; 4.2 Financial Crisis Originating in the Domestic Economy; 4.3 Financial Crisis in the Global Economy; 4.3.1 The Impact of the financial shock on the foreign economy 4.3.2 The transmission of the foreign shock onto the domestic economy 4.3.3 The role of trade openness; 4.4 Monetary Policy Options and Welfare Analysis; 5. Conclusions; References; Appendixes; A. Optimal Contracting Problem; B. Model Equations; B.2 Model Equations: Foreign Economy; Tables; 1. Parameter Values for Consumption, Production and Monetary Policy; 2. Parameter Values for the Entrepreneurial Sector; 3. Business Cycles in Emerging Economies: Data vs. Model; 4. Business Cycles in Advanced (Big) Economies: Data vs. Model; 5. Cross-Country Correlations; 6. Welfare Results; Figures 1. Responses to a Financial Crisis in Domestic Economy 2. Responses to a Financial Crisis in a Foreign Economy; 3. Responses to a Financial Crisis in Foreign Economy with Financial Contagion; 4. Responses to a Financial Crisis in Foreign Economy without Financial Contagion; 5. Responses to a Financial Crisis in Foreign Economy with Financial Contagion: Domestic Economy-The Impact of Openness; 6. Responses to a Financial Crisis in Foreign Economy without Financial Contagion: Domestic Economy-The Impact of Openness 7. Responses to a Financial Crisis in Foreign Economy with Financial Contagion: Domestic Economy-The Role of Monetary Policy Strategy 8. Responses to a Financial Crisis in Foreign Economy without Financial Contagion: Domestic Economy-The Role of Monetary Policy Strategy
Sommario/riassunto	The recent global financial crisis was the first in recent history that was triggered by problems in the financial system of the mature economies. Existing work on financial crisis in emerging market countries, however, almost exclusively focus on the role of financial frictions in the domestic economy. In contrast, we propose a two-country DSGE model to investigate the transmission of a global financial crisis that originates from financial frictions in the rest of the world. We find that the scale of financial spillovers from the global to the domestic economy and trade openness are key determinants of the severity of the financial crisis for the domestic economy. Our results also suggest that the welfare ranking of alternative monetary policy regimes is determined by the degree of financial contagion, the degree of trade openness as well as the scale of foreign currency denominated debt in the domestic economy.