

1. Record Nr.	UNINA9910827908603321
Autore	Chatterjee Santanu
Titolo	Fiscal policy and the real exchange rate // by Santanu Chatterjee and Azer Mursagulov
Pubbl/distr/stampa	[Washington, D.C.], : International Monetary Fund, [2012]
ISBN	1-4639-4565-5 1-4639-4564-7
Edizione	[1st ed.]
Descrizione fisica	1 online resource (42 p.)
Collana	IMF working paper ; ; WP/12/52
Altri autori (Persone)	MursagulovAzer
Disciplina	332.1/52
Soggetti	Foreign exchange rates Fiscal policy Government spending policy
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	"February 2012."
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	Cover; Contents; 1. Introduction; 2. The Analytical Framework; 2.1. Resource allocation in the private sector; 2.2. The public sector; 2.3. Macroeconomic equilibrium; 2.4. Current account dynamics; 3. Numerical Analysis; 3.1. The benchmark equilibrium; 3.2. Fiscal policy shocks; 3.3. Exchange rate dynamics: sensitivity to financing policies; 3.4. The persistence of the real exchange rate; 3.5. The short-run correlation between government spending and private consumption; 4. Sensitivity Analysis; 4.1. Sectoral output elasticity of public capital; 4.2. Elasticity of substitution in production 4.3. Intersectoral adjustment costs 5. Conclusions; Tables; 1. Benchmark equilibrium; 2. Government spending shocks: Long-run effects; 3. Government spending and the real exchange rate; 4. Government spending and short-run consumption; Figures; 1. Government spending shocks; 2. Government spending and the real exchange rate: sensitivity to financing policies; 3. Government spending, the persistence of the real exchange rate, and the time horizon; 4. Government spending and consumption: sensitivity to the sectoral elasticity of public capital 5. Government spending and the real exchange rate: sensitivity to the sectoral elasticity of public capital 6. Government spending and the real exchange rate: sensitivity to the elasticity of substitution in production;

7. Government spending and the real exchange rate: sensitivity to intersectoral adjustment costs; References

Sommario/riassunto

Government spending on infrastructure has recently increased sharply in many emerging-market economies. This paper examines the mechanism through which public infrastructure spending affects the dynamics of the real exchange rate. Using a two-sector dependent open economy model with intersectoral adjustment costs, we show that government spending generates a non-monotonic U-shaped adjustment path for the real exchange rate with sharp intertemporal trade-offs. The effect of government spending on the real exchange rate depends critically on (i) the composition of public spending, (ii) the underlying financing policy, (iii) the intensity of private capital in production, and (iv) the relative productivity of public infrastructure. In deriving these results, the model also identifies conditions under which the predictions of the neoclassical open economy model can be reconciled with empirical regularities, namely the intertemporal relationship between government spending, private consumption, and the real exchange rate.