

Introduction: Macroprudential Policy Coordination with International Capital Flows

R05323029 李昭亮

1. What is the question of the paper?

Nowadays, globalization makes all countries bind together. A local decision may influence the others through variety of flows. Thus, what can and what should the government do are important than before. The authors consider how macroprudential policy spillovers through international capital flow and how uncoordinated policy choices become tighter than would occur with coordination.

2. Why should we care about it?

What foreign countries do will affect domestic economy. Similarly, what domestic government do will influence nearby sections. Thus, given these cross-section spillovers, how countries should coordinate macroprudential policies matters.

3. What is the author's answer?

The country which limits capital flows stabilizes the domestic macroeconomy, and become more wealthy than another country.(in two-country macro model). Thus, both countries have the incentives to limiting capital flows in order to make themselves not worse than each other.

4. How did the author get there?

The authors use a symmetric two-country macro model to describe how limited ability to issue state-contingent contracts influences both countries. Output endogenously depends on the relative share of wealth held by each country. In the paper, we can see how global spillovers through international capital markets can affect countries' policy choices when policies are not coordinated.