

Macro Roundup Article

Headline: [Do Monetary Policy Regimes Matter? Evidence From The Nordics](#)

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Tweet: Citing divergences in the exchange rate against the Euro across Scandinavia, Jesper Rangvid argues, "It seems that there is virtually no trade-off between the variability of exchange rates and the variability of other macroeconomic variables."

Summary: First, no Nordic country – regardless of monetary policy strategy – has been able to prevent the post-pandemic inflation flare-up. In every Nordic country, no matter whether it has an inflation-targeting or an exchange rate-targeting regime, inflation increased to around 10% after the pandemic. This indicates that in the face of a global inflation shock, no monetary policy goal is superior to any other. This is an important conclusion. Second, exchange rate developments have been very different. Neither Denmark nor Finland had exchange rate volatility towards the euro. However, the Swedish and Norwegian currencies have consistently depreciated against the euro over the past decade, while the Icelandic króna has fluctuated significantly. Third, it might be expected that countries with floating exchange rates would have lower output variability because one reason for choosing a floating exchange rate is that it can function as a shock absorber and allow monetary policy to be geared towards domestic stabilisation. However, there is no strong empirical evidence to back up this hypothesis, at least over the past several decades in the Nordic countries.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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