

Delegating optimal monetary policy inertia in a small open economy: An analytical investigation

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This paper seeks for delegating targeting regimes in a small-open economy model. It examines the effect of an open economy on the coefficients for stabilization weights in the delegated objective function of the central bank. We address the role of the exchange rate in delegating optimal monetary policy. We analytically derive the condition that each targeting regime that this paper considers coincides with a commitment policy. This paper shows that there are non-negligible effects of an open economy on each coefficient in delegated targeting regimes.