

Interest Rate Premium, Sudden Stops and Adjustment in a Small Open Economy

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- Many ways to approach this issue
- Different aspects of the literature
- Real vs. Nominal models
- Role of nonlinearity
- Fixed vs. flexible
- Exogenous or endogenous event?

- Shock to export demand and risk premium
- Money in the model
- Traded and non-traded goods
- Two types of K and Q .
- Is that really needed?

- Exogenous event, but what is role of Q ?
- Depreciation and export expansion?
- System wide effect in global crisis.
- Other countries will also depreciate.

- Do fixed exchange rates reduce compression of C ?
- Role of interest rates?
- Role of a monetary union?

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- Euro Zone with higher inflation for employment recovery?

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- Need for exchange controls?