Discussion of:
Exchange Rate Adjustment in Financial Crises

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1. Are flexible exchange rates still desirable in crisis-prone economies?
2. Can monetary and macroprudential policies be in conflict when EMs hit by "capital flows" shocks?

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Tax on foreign borrowing desirable only under a **peg**

Flexible ex. rates desirable ex-post

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(2) $\uparrow$ cost of imports $\downarrow Y_{F,t} \rightarrow$ relax collateral constr

Ex-ante: less debt accumulation under a peg

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- Need to make capital flows **endogenous**

Monetary policy and macropru conflict?

Monetary vs macroprudential policy

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- But conventional monetary policy **can** be also macropru (Stein 2012)
- When mon. policy **can** be also macroprudential?

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- Monetary policy is **also** macroprudential
- Tax on foreign borrowing particularly useful **only** when monetary policy constrained by **ex. rate peg**

Conclusions

- Great paper
- First paper in an exciting literature
- Much more to be done on logical distinction between monetary and macropru