

Discussion of  
“Global Footprints of Monetary Policies”  
by Miranda-Agrippino, Nenova, Rey

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# Central banks of large countries have an effect on the world

- Effects on asset prices, economic fundamentals, exchange rates
- Lots of literature on the Fed
  - Through global financial cycle
  - Through capital flows (especially global banks)
  - Through trade
- Some literature on ECB
- BoE a problem due to “Special relationship”
- BOJ at the ZLB for extended periods
- PBOC - not many studies yet

Makes sense to focus on Fed vs. PBOC (*But maybe paper title is too broad*)

# China vs. US in global financial and trade networks

## US

**Trade:** at the end of supply chains

**Finance:** global banker: safe liabilities and risky assets, safe haven, global currency

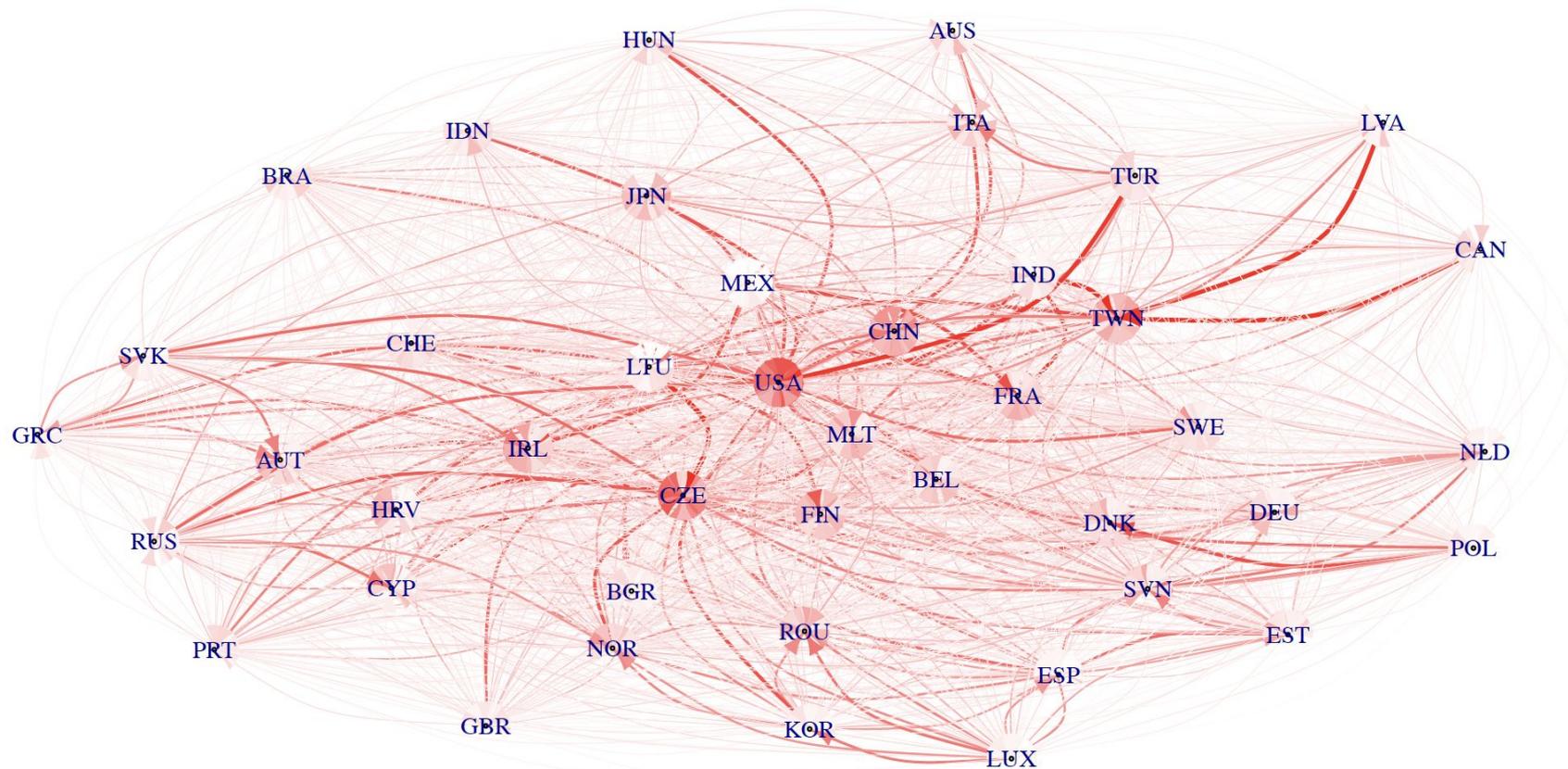
## China

**Trade:** in the middle of supply chains

**Finance:** safe and risky assets, capital controls, non-convertible currency

*Would expect that China's MP transmission channels are more trade than financial markets compared to the US.*

# World Input-Output linkages by country and sector (2014)



# Analyzing trade linkages: three suggestions

1. Value added, not total trade
2. Sector level matters (for trade and financial linkages)
3. Endogenous response? Trade networks are quite stable - unlikely to be affected by transitory policy shocks

# 1. Not DOTS, trade in VA...

Example from

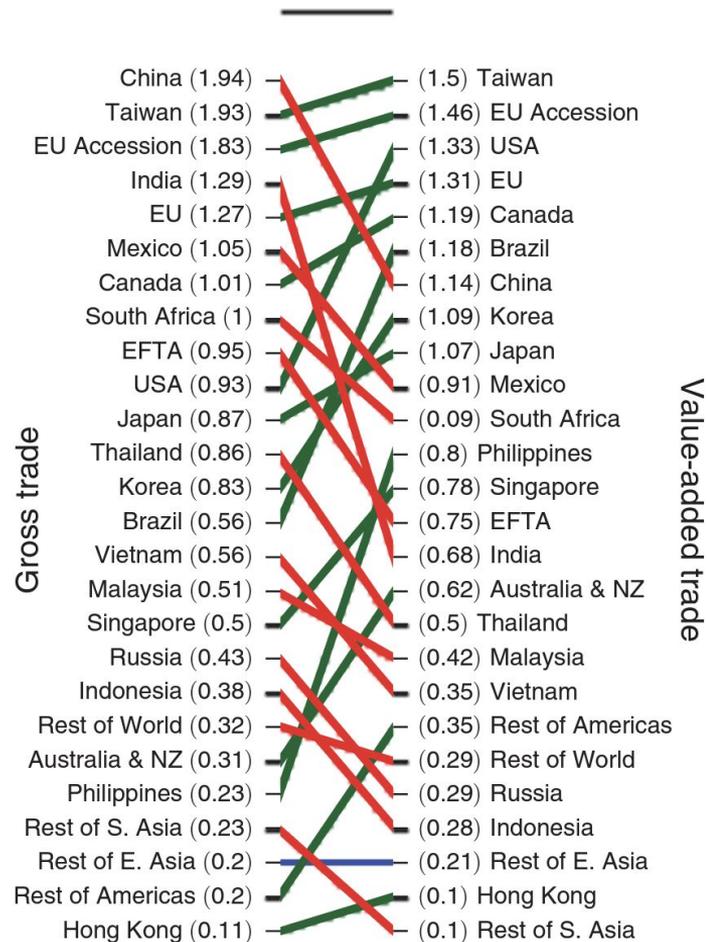
## Tracing Value-Added and Double Counting in Gross Exports

Robert Koopman

Zhi Wang

Shang-Jin Wei

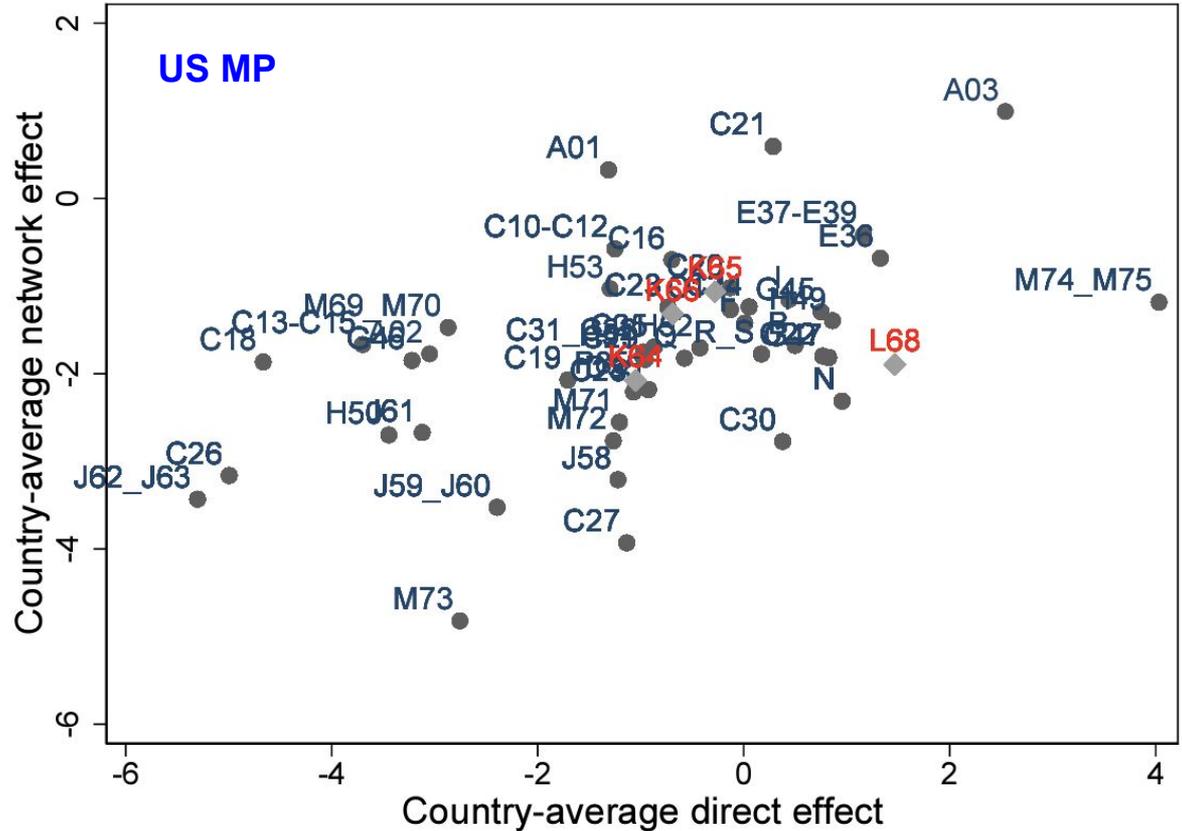
AMERICAN ECONOMIC REVIEW  
 VOL. 104, NO. 2, FEBRUARY 2014  
 (pp. 459-94)



## 2. Sector level matters

- Across goods
- Goods vs. services
- Intermediates vs. final goods (up- vs. downstream)

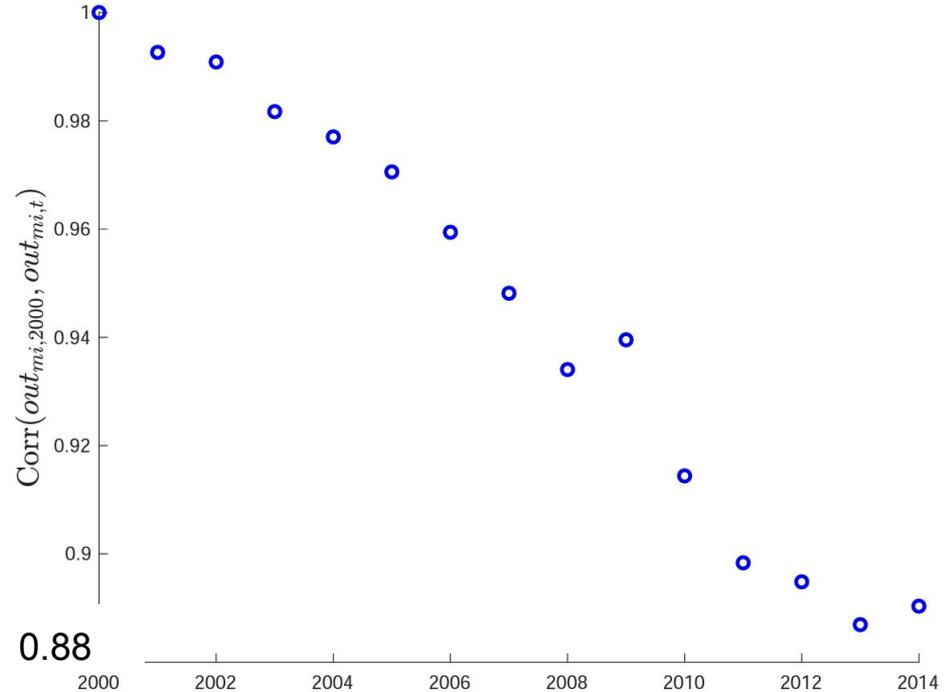
Use WIOD?



(b) Distribution across sectors, country averages

### 3. Trade networks are stable

- Trade volumes fluctuate while production functions don't change much
- When thinking about endogenous response of trade
  - Consider horizon
  - Think through supply chains (might be just final demand effects)



(d) International Linkages

# China MP shocks

- Can the same identification of shocks can be used in the US and China?
- Do they have the same information structure as US MP shocks?
- Do they have the same effects on *domestic* asset prices and fundamentals as US MP shocks?

Shieh (2022) follows Gürkaynak, Sack, and Swanson (2005) to extract target (policy stance) and path (info about fundamentals) factors for China's MP.

# Outcomes of the project I would like to see

1. Is it important to analyze US and China MP shocks jointly?

How different would be the findings if we consider each in isolation?

2. Global Financial Cycle is a great tool to summarize effects of the US MP. Can China factor series be constructed as a summary measure?

**Very ambitious and much needed project. Looking forward to the updates!**