Discussion of: "The International Dimensions of Macroprudential Policies" (P.R. Agenor, E. Kharroubi, L. Gambacorta, G. Lombardo, L.P. da Silva)

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The paper

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- Appreciate simplicity: "Core-Periphery" real model with **one friction only**

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1. **Run-away-with-the-assets** friction located on the **bank-depositors** side
2. Financial intermediaries in Periphery borrow from Core banks (**"financial integration"**)
3. Core-Periphery otherwise **identical**
4. MacroPru implemented via a **tax** on the **return on capital**

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2. Welfare gains from **MacroPru cooperation** are significant (less negligible than typically found in MP literature)

Macroprudential policies?

A minimal conceptual framework for MacroPru

- (Stein, Kashyap and Stein, Mendoza, Bianchi-Mendoza, Lorenzoni, Woodford, etc..)

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(This paper: frictions always exogenously binding. NO endogenous transition. By assumption banks cannot increase their net worth during "crisis". Perturbation methods around deterministic ss)

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2. Genuine feature of MacroPru analysis: work in a **non-linear** environment

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Cross-country heterogeneity in financial development

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The world in this paper: financial globalization with NO cross-country heterogeneity

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International comovement: higher in crisis time

- **Exogenous** financial distress ("bank K shock") $\longrightarrow$ Speed of light international arbitrage $\longrightarrow$Large spillovers and comovement.
- Good: consistent with idea that international comovement **rises** during a financial crisis.
- Bad: here comovement high even in "normal times"
- Needed: a framework where degree of international comovement depends on underlying financial stress

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- Non-linearities and endogenous "financial crisis" should be pillars for MacroPru