

CHAPTER OVERVIEW

12: Policy Effects with Floating Exchange Rates

The effects of government policies on key macroeconomic variables are an important issue in international finance. The AA-DD model constructed in [Chapter 9 "The AA-DD Model"](#) is used in this chapter to analyze the effects of fiscal and monetary policy under a regime of floating exchange rates. The results are more comprehensive than the previous analyses of the same policies because they take into account all the between-market effects across the money market, the foreign exchange (Forex) market, and the goods and services (G&S) market.

[12.1: Overview of Policy with Floating Exchange Rates](#)

[12.2: Monetary Policy with Floating Exchange Rates](#)

[12.3: Fiscal Policy with Floating Exchange Rates](#)

[12.4: Expansionary Monetary Policy with Floating Exchange Rates in the Long Run](#)

[12.5: Foreign Exchange Interventions with Floating Exchange Rates](#)

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