

Figure 1

G3

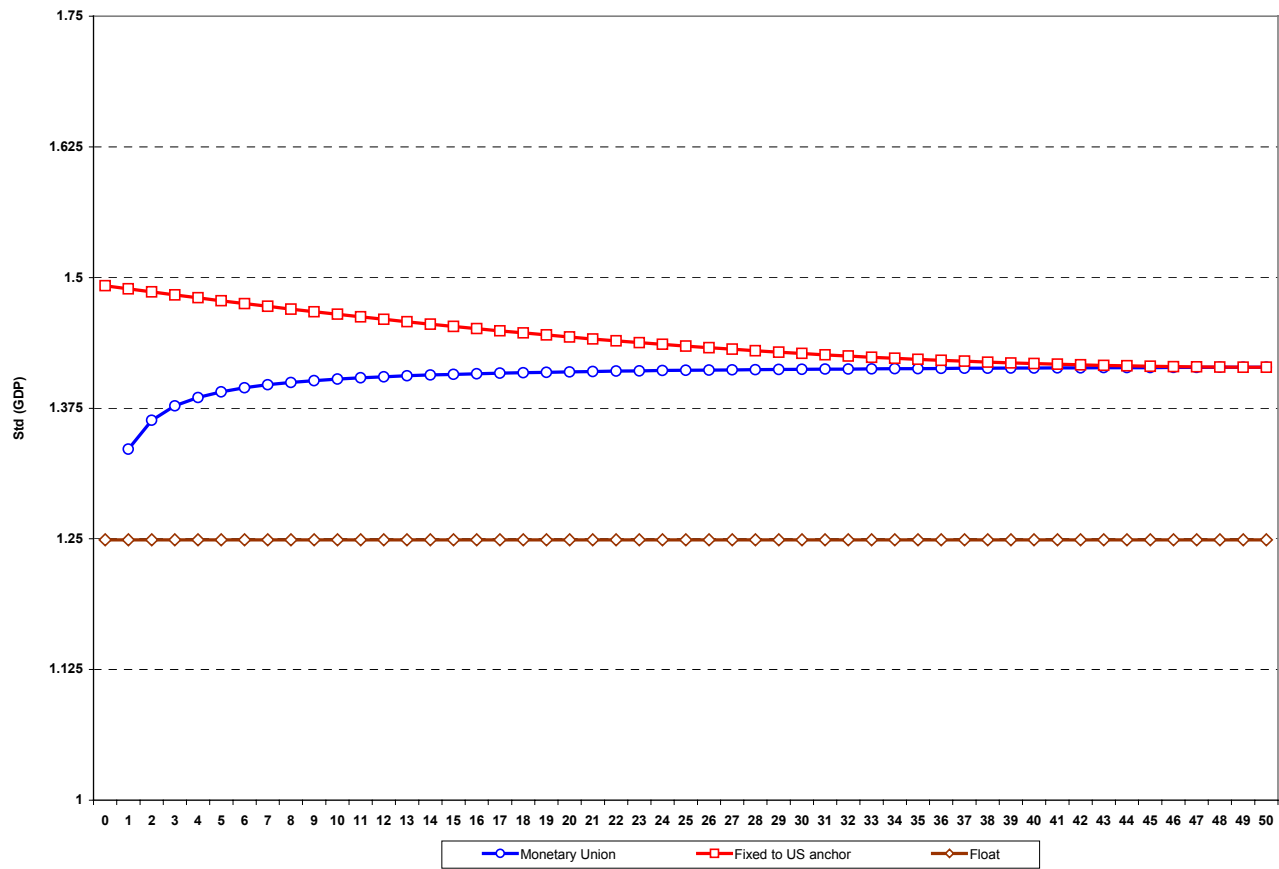


Figure 2

EMU

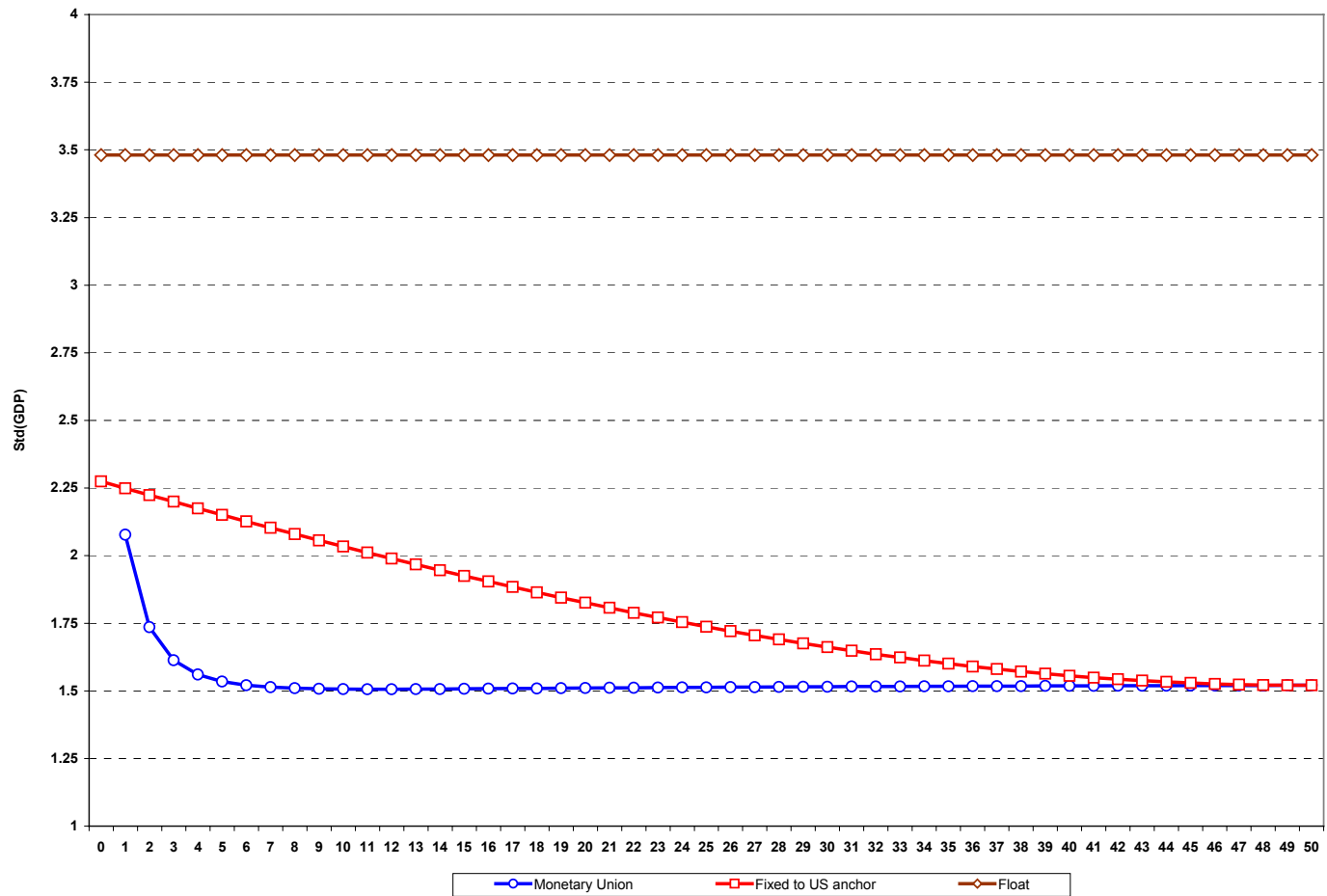


Figure 3

Dollarization

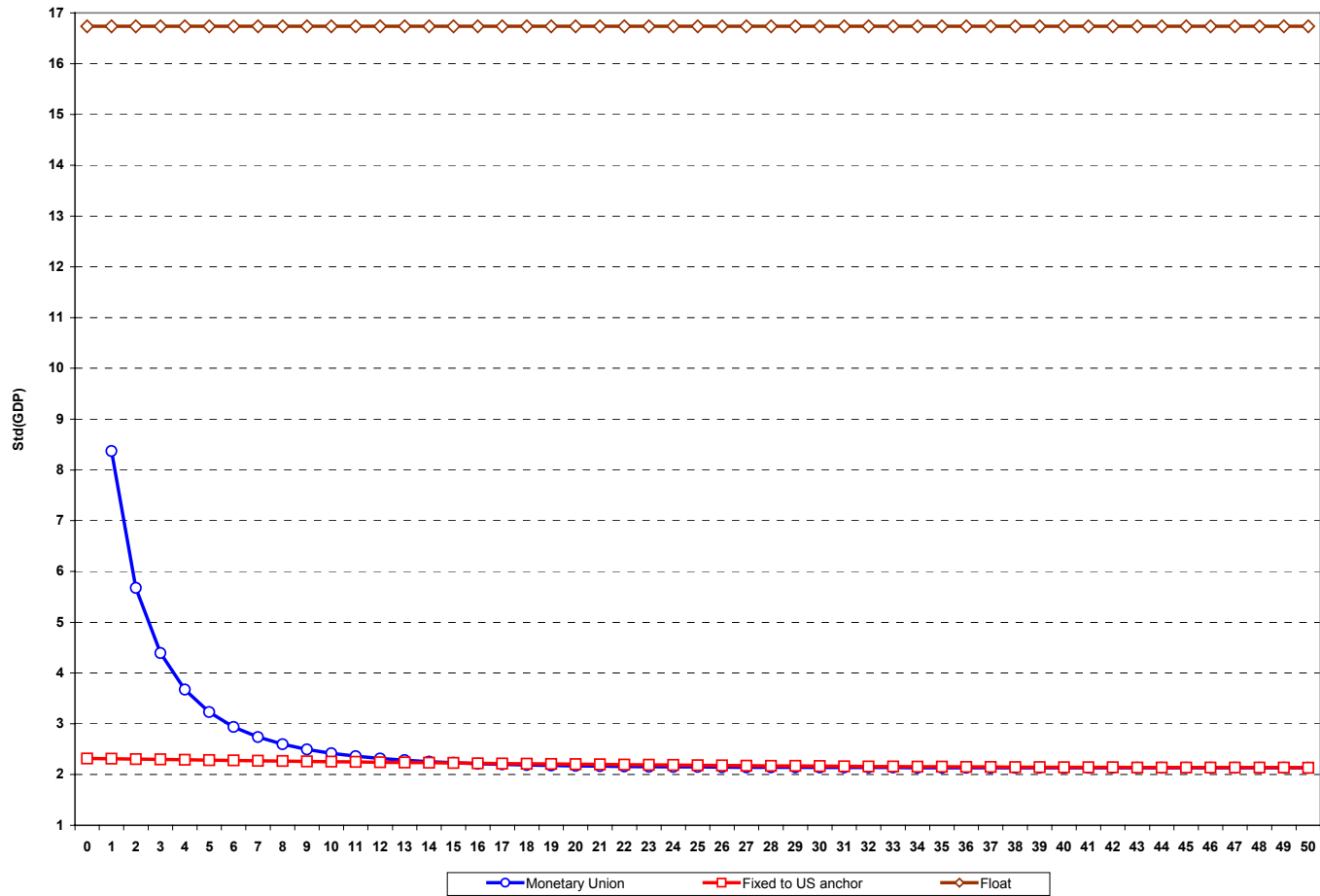


Figure 4

Currency Union vs Dollarization

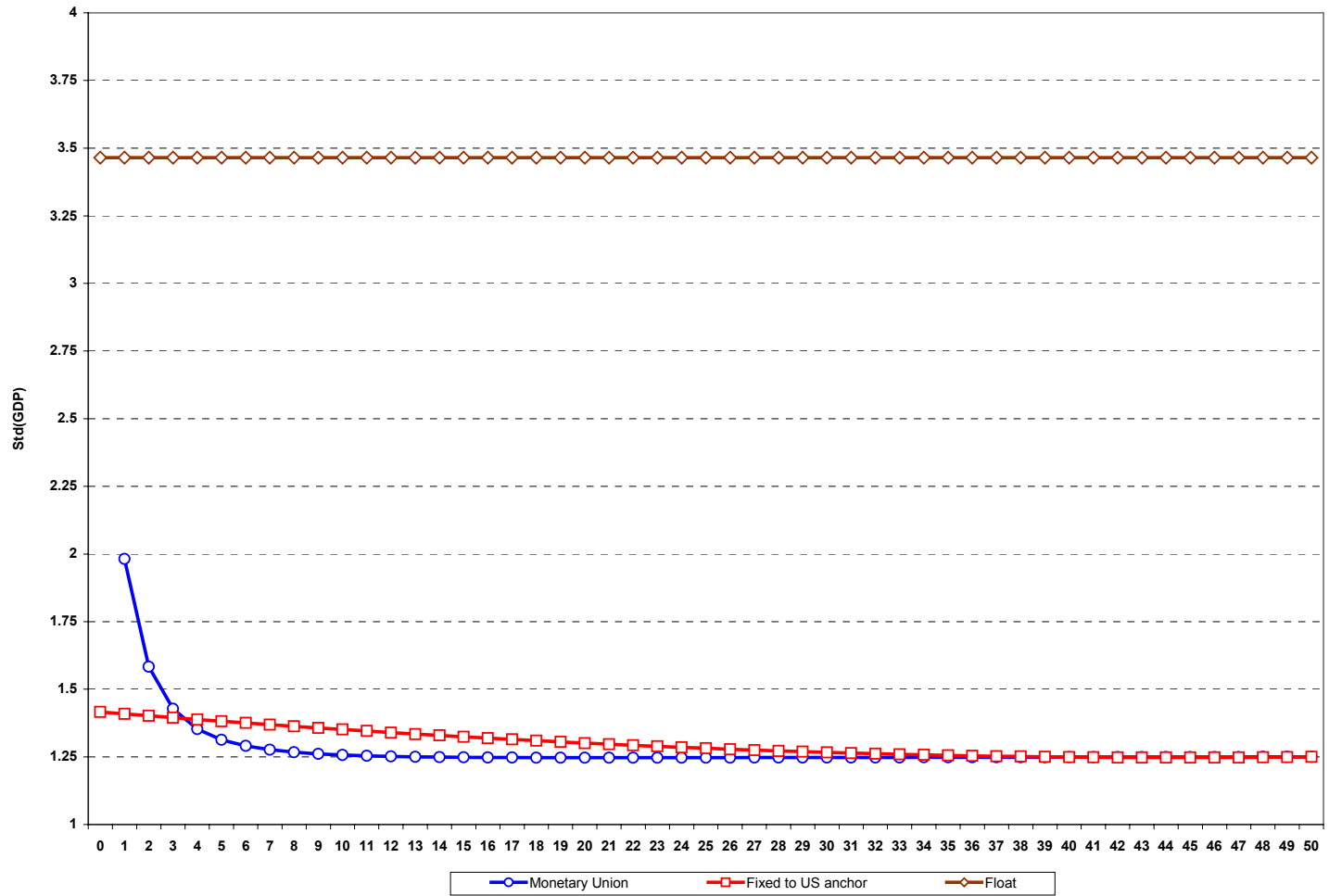


Figure 5

Endogenizing the Betas

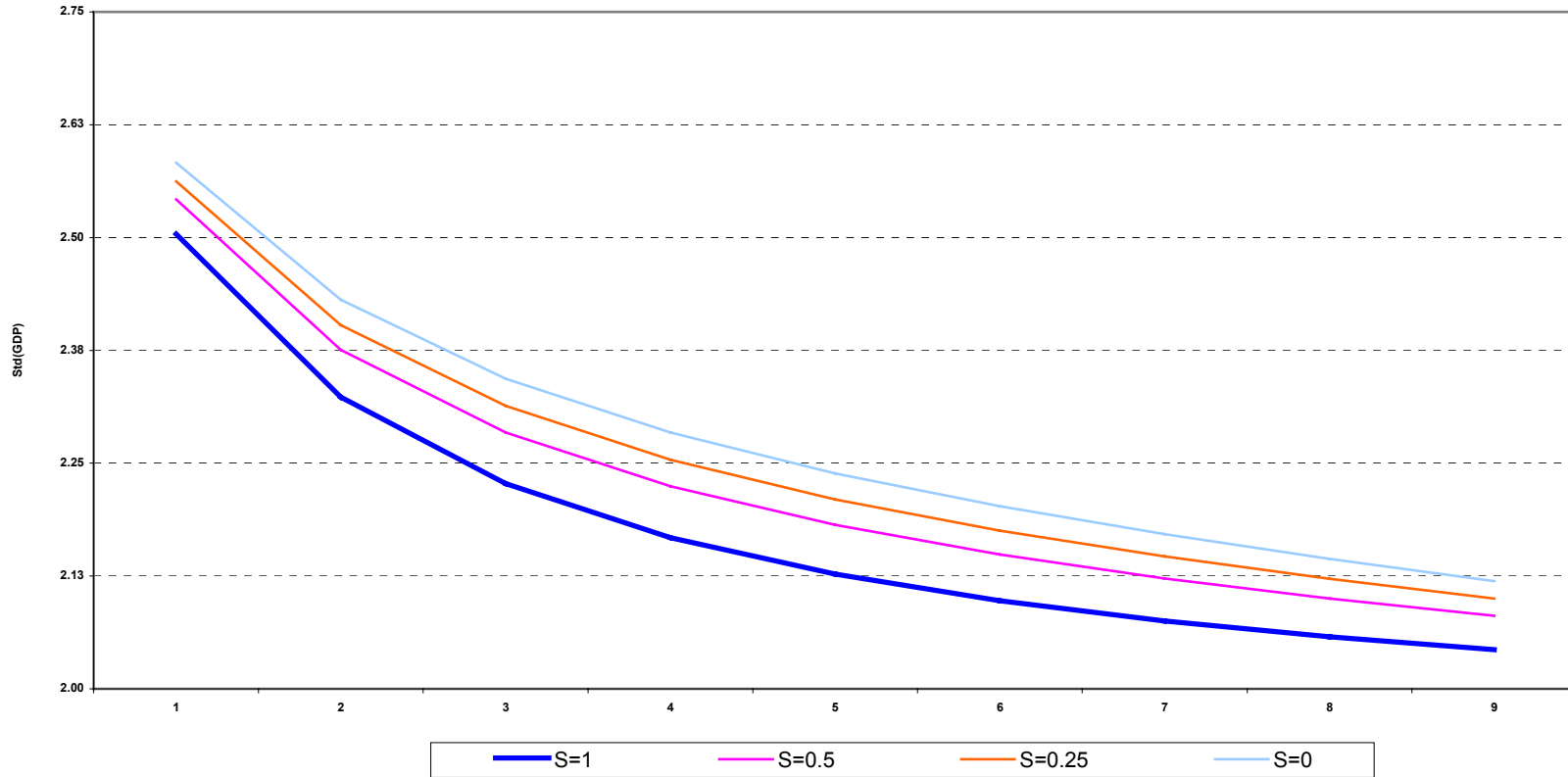


Figure 6

Figure: Mexico

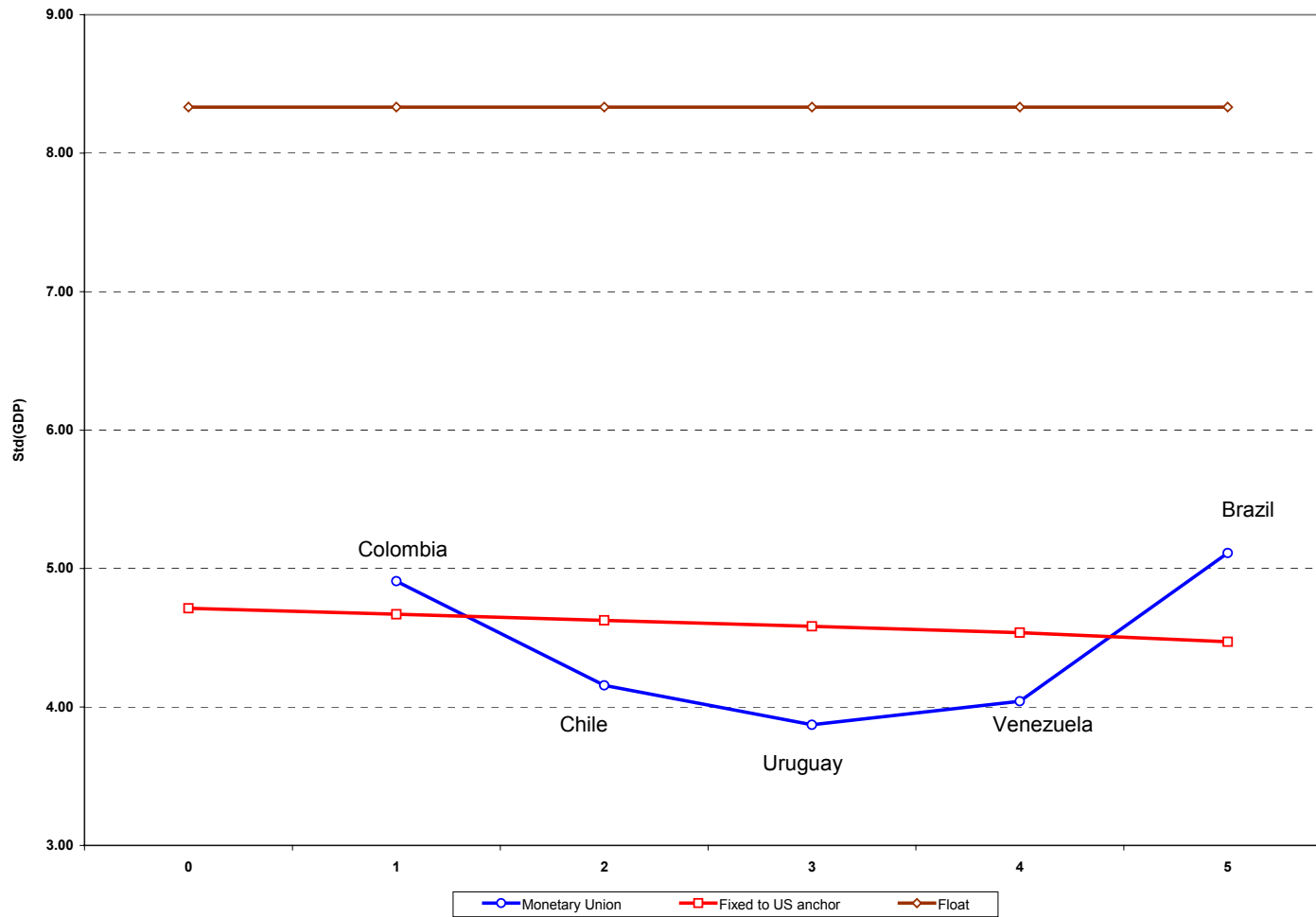


Figure 7

Figure: Brazil

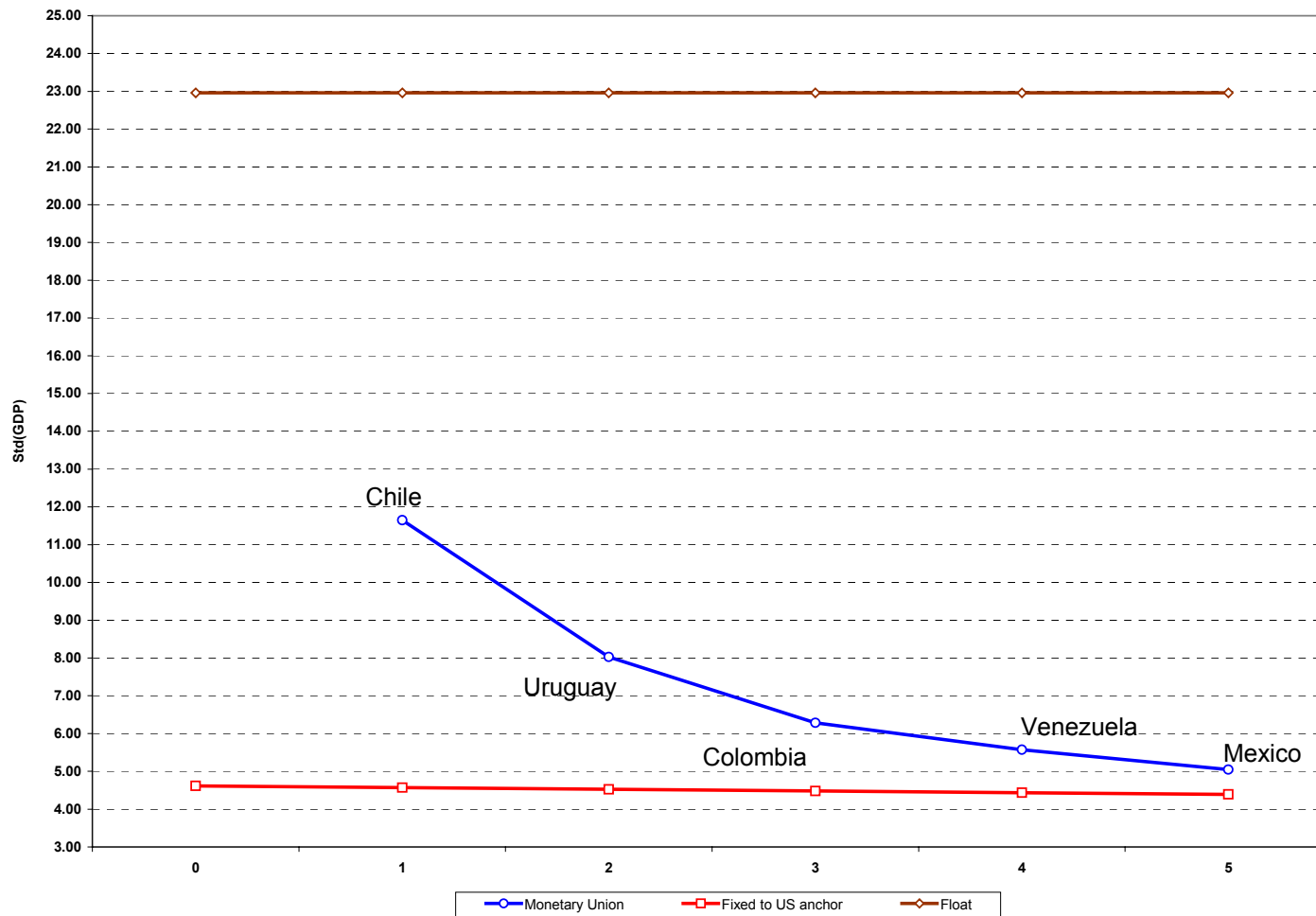


Figure 8

Figure: Chile

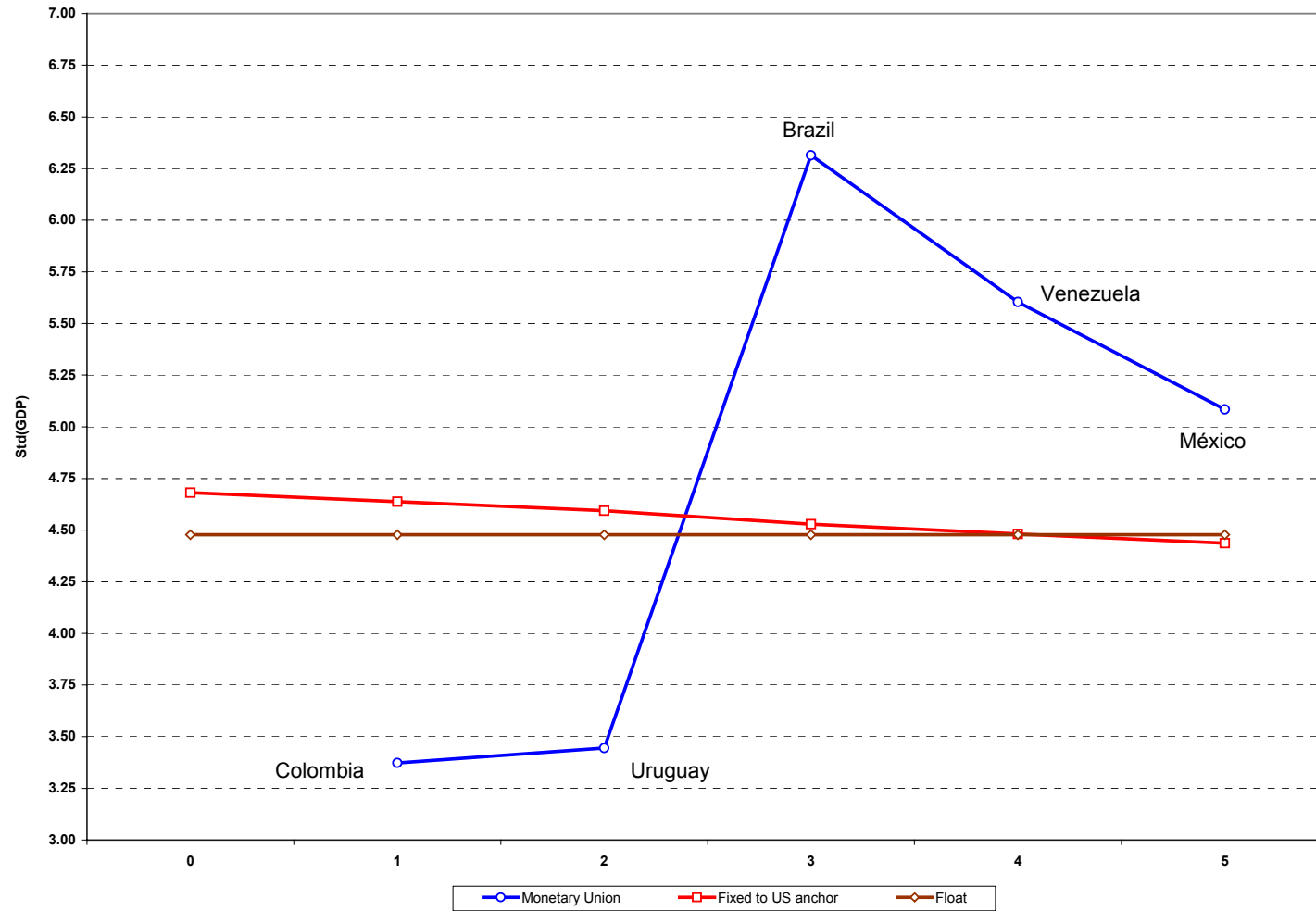


Figure 9

Mexico: Endogenizing Betas and Reducing the Individual Monetary Shocks

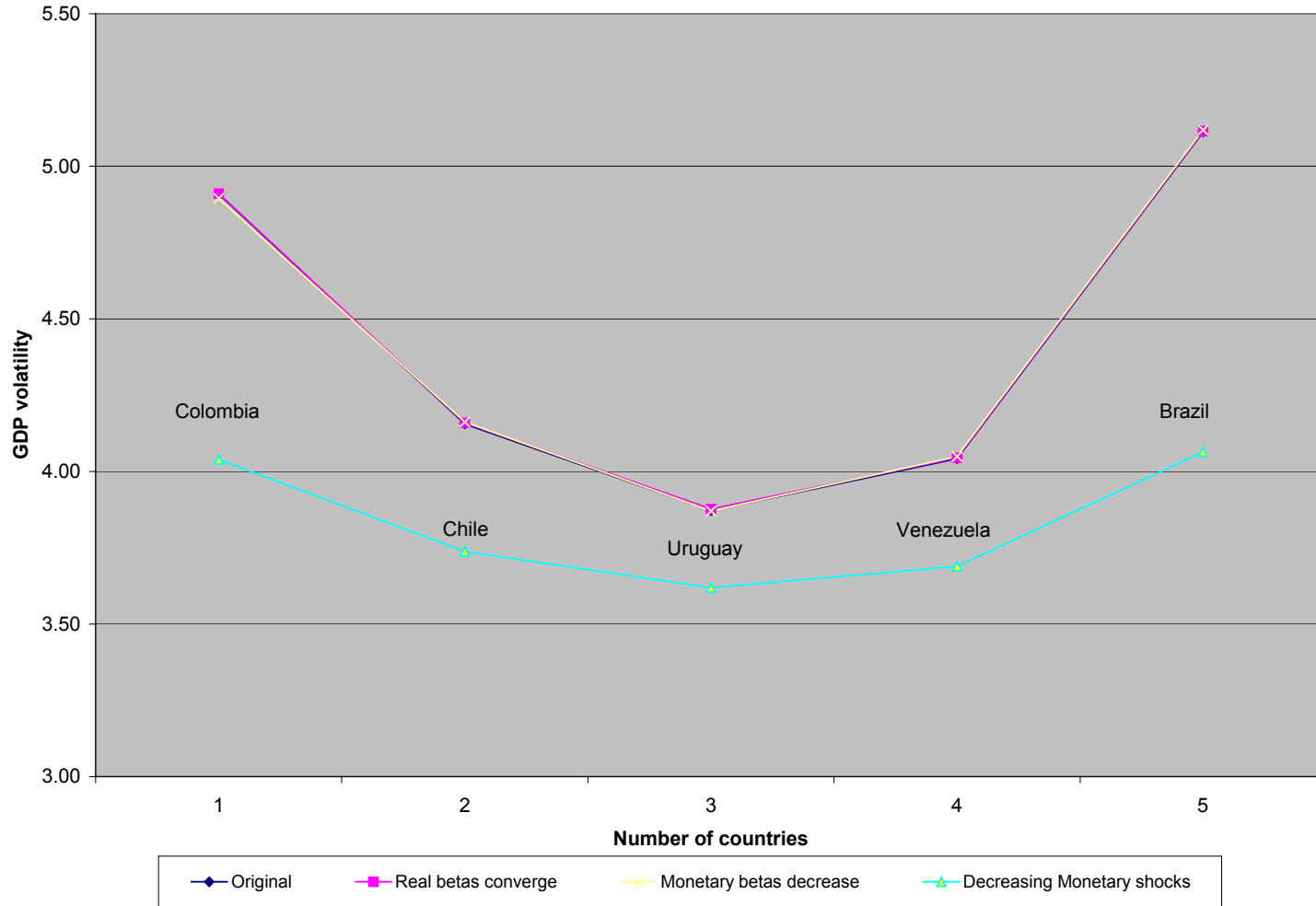


Figure 10

Brazil: Endogenizing Betas and reducing the Individual Monetary Shock

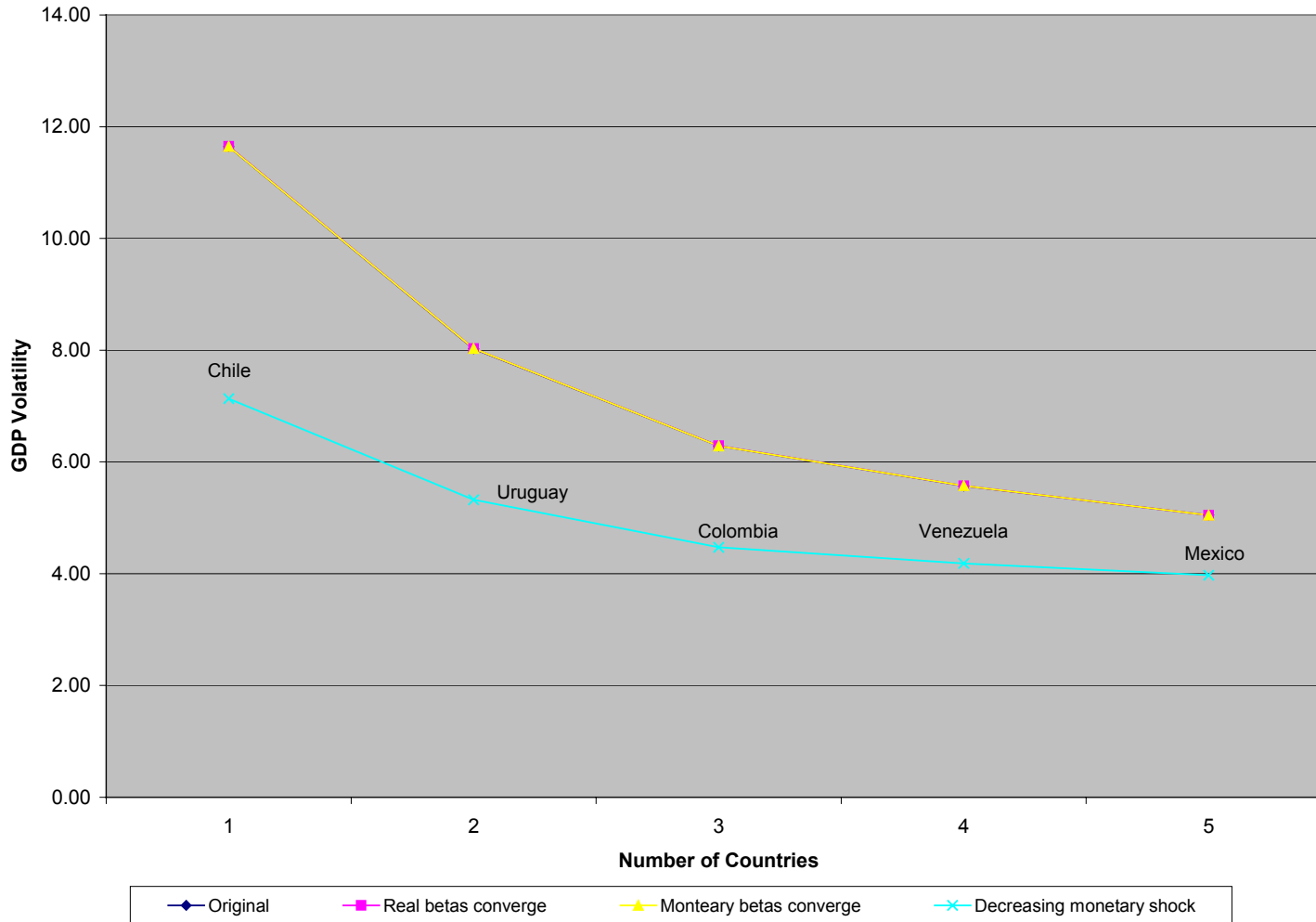
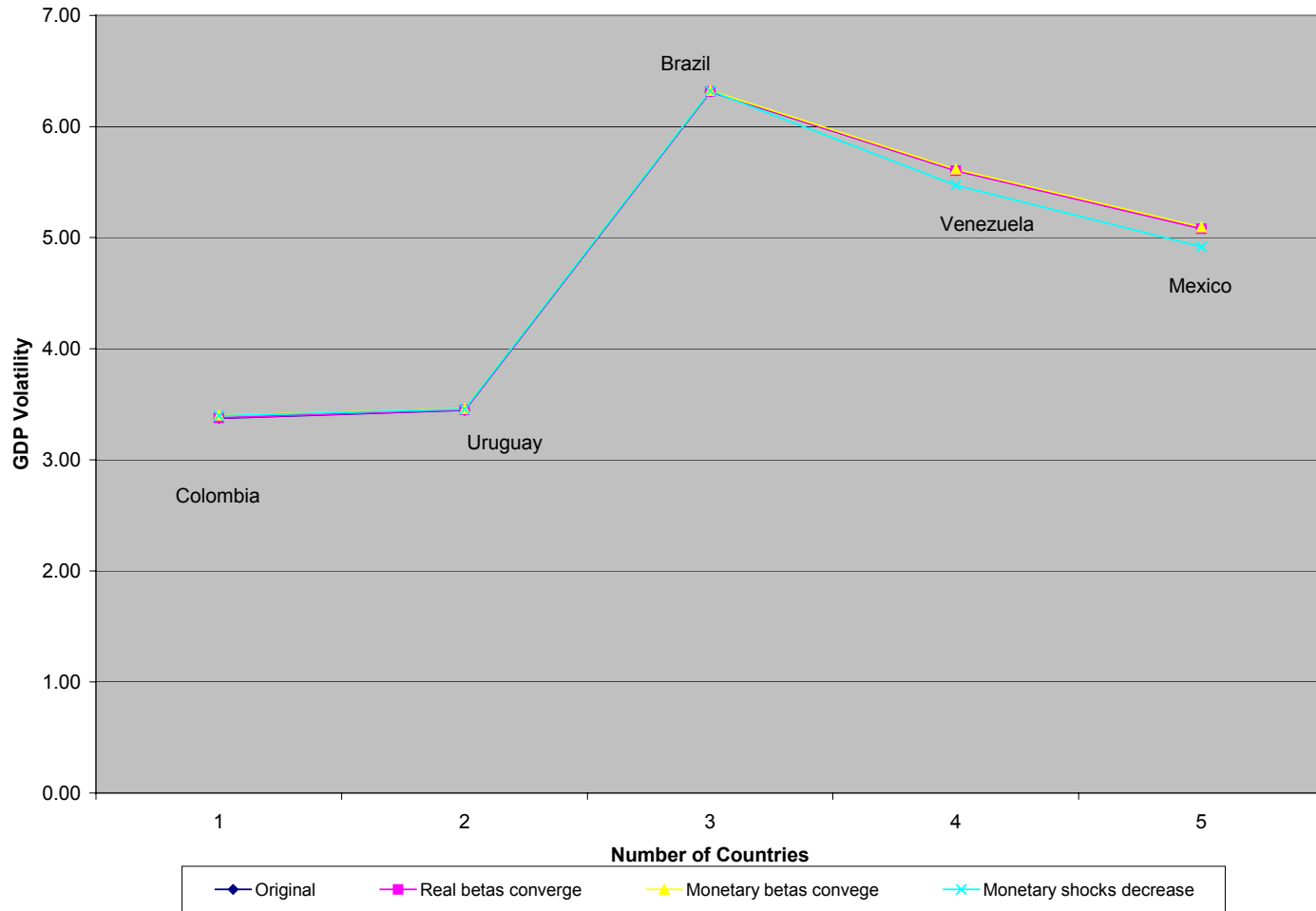


Figure 11

Chile: Endogenizing Betas and Reducing the Individual Monetary Shocks



| Table 1 | | | | |
|---|------------|-------------|----------------------|--------------------|
| Model parameters for simulation exercise | | | | |
| | G3 | EMU | Dollarization | CU vs Doll. |
| alfa | 0.5 | 0.5 | 0.5 | 0.5 |
| B_i^r | 1 | 0.25 | 0.75 | 0.75 |
| B_i^m | 1 | 1 | 1 | 1 |
| Std(i^r) | 1 | 1.5 | 2 | 1 |
| Std(i^m) | 1 | 10 | 50 | 10 |
| Std(w^r) | 1 | 1 | 1 | 1 |
| Std(w^m) | 1 | 1 | 0.75 | 1 |
| Bus^r | 1 | 0.75 | 1 | 0.75 |
| Bus^m | 1 | 1 | 1 | 1 |
| Std(us^r) | 1 | 1 | 1 | 1 |
| Std(us^m) | 1 | 5 | 2.5 | 2 |

| Table 2 | | | |
|--|---------------|---------------|--------------|
| Model parameters for country applications | | | |
| | Mexico | Brazil | Chile |
| alfa | 0.5 | 0.5 | 0.5 |
| B_i^r | 0.20 | 0.37 | 0.45 |
| B_i^m | 0.39 | 0.31 | 0.17 |
| Std(i^r) | 3.36 | 3.20 | 3.23 |
| Std(i^m) | 23.47 | 68.50 | 9.41 |
| Std(w^r) | 1.86 | 1.86 | 1.86 |
| Std(w^m) | 9.47 | 9.47 | 9.47 |
| Bus^r | 0.25 | 0.25 | 0.25 |
| Bus^m | 0.31 | 0.31 | 0.31 |
| Std(us^r) | 1.86 | 1.86 | 1.86 |
| Std(us^m) | 9.47 | 9.47 | 9.47 |

Table A1

Model parameters for endogenizing the betas

| Parameter | Value | Country | Sigma=0 | | Sigma=0.2 | | Sigma=0.5 | | Sigma=1 | |
|----------------------|-------|---------|---------|----|-----------|----|-----------|----|---------|----|
| | | | Br | Bm | Br | Bm | Br | Bm | Br | Bm |
| alfa | 0.5 | 1 | 0.10 | 1 | 0.26 | 1 | 0.43 | 1 | 0.75 | 1 |
| Std(i) | 1.5 | 2 | 0.20 | 1 | 0.34 | 1 | 0.48 | 1 | 0.75 | 1 |
| Std(i') | 7.5 | 3 | 0.30 | 1 | 0.34 | 1 | 0.53 | 1 | 0.75 | 1 |
| Std(r') | 2 | 4 | 0.40 | 1 | 0.34 | 1 | 0.58 | 1 | 0.75 | 1 |
| Std(m') | 1 | 5 | 0.50 | 1 | 0.34 | 1 | 0.63 | 1 | 0.75 | 1 |
| Bus ^r | 0.75 | 6 | 0.60 | 1 | 0.64 | 1 | 0.68 | 1 | 0.75 | 1 |
| Bus ^m | 1 | 7 | 0.70 | 1 | 0.71 | 1 | 0.73 | 1 | 0.75 | 1 |
| Std(u ^r) | 1 | 8 | 0.80 | 1 | 0.79 | 1 | 0.78 | 1 | 0.75 | 1 |
| Std(u ^m) | 5 | 9 | 0.90 | 1 | 0.86 | 1 | 0.83 | 1 | 0.75 | 1 |

| Table A2 | | | | | |
|--|-----------------|-------------------------------|-----------------|-------------------------------|--------------|
| Endogenous Betas and Reduced Individual Monetary Shocks | | | | | |
| | Mexico | | Brazil | | Chile |
| | Original | Reduced Monetary Shock | Original | Reduced Monetary Shock | |
| alfa | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| B_i^r | 0.20 | 0.20 | 0.37 | 0.37 | 0.45 |
| B_i^m | 0.39 | 0.39 | 0.31 | 0.31 | 0.17 |
| Std(i^r) | 3.36 | 3.36 | 3.20 | 3.20 | 3.23 |
| Std(i^m) | 16.44 | 23.47 | 38.95 | 68.50 | 9.41 |
| Std(w^r) | 1.86 | 1.86 | 1.86 | 1.86 | 1.86 |
| Std(w^m) | 9.47 | 9.47 | 9.47 | 9.47 | 9.47 |
| Bus^r | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Bus^m | 0.31 | 0.31 | 0.31 | 0.31 | 0.31 |
| Std(us^r) | 1.86 | 1.86 | 1.86 | 1.86 | 1.86 |
| Std(us^m) | 9.47 | 9.47 | 9.47 | 9.47 | 9.47 |