Working Paper 784
Keep in mind



AUTHOR OR EDITOR
Juan José Echavarría
Luis Fernando Melo
Mauricio Villamizar

To date, there is still great controversy as to which exchange rate model should be used or which monetary channel should be considered, when measuring the effects of monetary policy. Since most of the literature relies on structural models to address identification problems, the validity of results largely turn on how accurate the assumptions are in describing the full extent of the economy. In this paper we compare the effect of different types of central bank interventions using an event study approach for the Colombian case during the period 2000-2012, without imposing restrictive parametric assumptions or without the need to adopt a structural model. We find that all types of interventions (international reserve accumulation options, volatility options and discretionary) have been successful according to the smoothing criterion. In particular, volatility options seemed to have the strongest effect. We find that results are robust when using different windows sizes and counterfactuals