

Monetary Shocks and Real Exchange Rate Dynamics_ **Daniela Federiciy and Sergio Santoro**

Abstract

In this paper we investigate the real exchange rate dynamics in the context of the microfounded general equilibrium approach, integrated with nominal rigidities and imperfect competition, originally developed by Obstfeld and Rogo α (1995).

Few empirical researches have been carried out to test the consistency of this approach with the data. We develop a theoretical model and use a Full Information Maximum Likelihood procedure to estimate the structural parameters in order to analyze the reactions of the real exchange rate to monetary shocks, obtaining encouraging results.

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