# Devaluations, Output, and the Balance Sheet Effect: A Structural Econometric Analysis.

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This paper estimates a new open economy macroeconomic model for South Korea to determine the output effect of currency devaluations. Three transmission mechanisms are considered: the expenditure-switching, the balance sheet, and a monetary channel associated to a nominal exchange rate target. Devaluations are defined as an increase in this target. This allows to isolate the effects of explicit exogenous devaluationary policy shocks from any other shock to the economy. Ceteris paribus, a devaluation is found to be expansionary. Hence, the devaluation did not cause South Korea’s output contraction but rather it was a different shock

Fuente: https://www.banrep.gov.co/es/news/events/devaluations-output-balance-sheet-effect-02-september-2005