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Risk Matters: The Real Effects of Volatility Shocks

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Article Information

Abstract

We show how changes in the volatility of the real interest rate at which small open emerging economies borrow have an important effect on variables like output, consumption, investment, and hours. We start by documenting the strong evidence of time-varying volatility in the real interest rates faced by four emerging economies:

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Additional Materials

[Replication Package \(77.40 KB\)](#)

[Online Appendix \(234.50 KB\)](#)

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