

# Monetary Policy in the Wake of Financial Liberalisation

Working paper

OECD Economics Department Working Papers • 1 April 1990

## Abstract

The paper examines evidence concerning the impact of financial liberalisation and innovation on monetary policy. The indicator value of monetary aggregates and the role of liquidity constraints in the transmission mechanism affecting aggregate demand are examined. Countries where financial liberalisation has led to problems with the role of monetary aggregates in general also display evidence of a reduced role for liquidity constraints in aggregate demand behaviour. The ability of the authorities to influence market-determined interest rates, a key aspect of monetary transmission in markets where liquidity constraints are not binding, is also examined ...

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