# Are There Asymmetric Effects of Monetary Policy?: An Estimated Financial Accelerator Model

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**Abstract**

This paper studies the asymmetric effects of monetary policy in a new Keynesian DSGE framework. Two out of three possible groups of explanations for the asymmetry are considered: a convex supply curve and a financial friction. The convex supply curve is modeled by the nonlinear Phillips curve rationalized by the Calvo (1983)'s pricing mechanism. The financial friction is explained by Bernanke et al. (1998)'s financial accelerator model. The second-order perturbation method is used to find the solution of the model and to preserve its nonlinearity.The model parameters are estimated by indirect inference method using the U.S. economy. Three types of asymmetric effects of monetary policy are examined: 1) expansionary versus contractionary policies; 2) moderate versus aggressive policies; and 3) policies implemented in recessions versus ones implemented in expansions. the study finds that the asymmetric effects of monetary policy are not found in general. The only noticeable asymmetry is the different effects of the policy implemented at busts and ones at booms The main source of the asymmetry mostly comes from the convex supply curve.

# References

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