[The Elusive Gains from Nationally-Oriented Monetary Policy](#)

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The consensus in the recent literature is that the gains from international monetary cooperation are negligible, and so are the costs of a breakdown in cooperation. However, when assessed conditionally on empirically-relevant dynamic developments of the economy, the welfare cost of moving away from regimes of explicit or implicit cooperation may rise to multiple times the cost of economic fluctuations. In economies with incomplete markets, the incentives to act non-cooperatively are driven by the emergence of global imbalances, i.e., large net-foreign-asset positions; and, in economies with complete markets, by divergent real wages.