

**DOES THE EFFECTIVENESS OF MONETARY POLICY ON  
OUTPUT DEPEND ON OPENNESS?**

**ABSTRACT**

The question of how openness influences the effectiveness of monetary policy on output has captured some attention among researchers in recent years. But the number of studies which have explored this question empirically is very limited. In this context, this paper investigates the relationship between openness and the effectiveness of monetary policy on output by using annual data for the period 1990 2000 for a panel of 42 countries. The paper's empirical results support the theoretical expectations that the more open the economy, the smaller the output effects of a given change in the money supply. Moreover, the ability of monetary expansion to influence output is more limited in developing open economies than in developed ones.

Keywords: Openness, monetary policy, output