

“Is Old money better than new? Duration and monetary regimes”
Referee Report

This paper cuts across three important parts of the literature pertaining to the performance, the duration, and the taxonomy of monetary regimes. In particular, the paper compares the merits in terms of durability and inflation performance of alternative monetary regimes with a special focus on Inflation Targeting. The authors make two fundamental claims: Inflation Targeting is the most durable regime of all, and the longer a regime stays in place, the greater its success at achieving low inflation. The authors reach these claims by using both graphical and regression analysis to compare a group of inflation targeters to a comparison group of countries who have adopted alternative regimes.

Overall the methodology seems robust and the claims seem well supported by the evidence presented. I believe the paper makes a significant contribution to what can be considered a yet unsettled literature and I would definitely recommend it for publication in the journal.

Yet, I would like to take the opportunity to make some not-binding suggestions that I believe could make the paper more readable and signal a few minor slips.

Suggestions

1. A table (maybe between table 1 and 2) describing the taxonomy of regimes considered in the analysis (column 1 of table 3), might help the reader who is less familiar with the literature.
2. The authors downplay in footnote 10 the fact that for the World comparison group IT is more durable than de facto pegs, but less durable than de jure monetary unions (table 3). Could this instead be a signal that the transparency of the commitment is an important determinant of the durability of the regime?
3. The durability of IT is always greater than that of exchange rate targeting regimes, but does not seem to be different from that of other domestic targeting regimes (insignificant statistics in table 3). Is this a result that could be attentioned better?
4. The authors should motivate better why in their analysis they consider (footnote 13) IT dominant compared to exchange rate fixes, but exchange rate fixes dominant compared to monetary targeting regimes.

5. The inclusion of a “Graphical Approach” section between the “Regression Analysis” and the “Forecasting Approach” sections could probably be motivated better, or maybe moved before the “Regression Analysis” section together with the rest of the rest of the graphical analysis.

6. Although, it is true that there is a lot of good 200 years old art, there could be better taste for a lot of contemporary art. Indeed, in the evaluation of art subjective statements are probably as good a filter as time is. On the other hand, when comparing alternative monetary regimes, time seems an appropriate and, more importantly, objective filter (a point well argued in the paper). I am not sure it is possible to find an equally objective tool to measure the quality of art, but if we assumed market value to be an objective meter, then a Picasso (1881-1973) would probably beat any Agricola (1758-1785). This is why the sentence at the beginning of the concluding section seems a bit strong to me.

Minor points

- a) Footnote 7: “my” should be “our”

- b) Page 8, second line from top “of a number” is repeated

- c) Page 18, line 7 from top: “then” should be “than”

- d) Table 7 notes are at odd with text. From what I gather from the text, the dependent variable in these regressions should not be cumulative sum of success periods.

- e) In the forecast equation, why are lagged values of fixed control variables, (X_{t-5}), included in the regression equation? Should it be X_t ?