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Discussion of: **Financial and Price Stability in Emerging Markets: The Role of the Interest Rate**

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Comments

- This is a nice paper. It combines a theoretical and an empirical paper, **extending known results into more general cases,** in a transparent way.
- It persuasively argues how the role of interest rate has changed **before and after the Global Financial Crisis (GFC),** and also how such a change is in general different for an **advanced economy (AE) vis-à-vis an emerging market economy (EME)**.

Criticisms

- The authors mention that in their model agents share all **aggregate and idiosyncratic risks** (p. 7). It is not clear how the latter is plausible.
- The authors initially distinguish between credit demand and supply (p. 9). Yet, e.g., in the closed economy endogenous probability of a crisis version of the model, the probability appears to depend on credit demand (p. 12). **Afterwards, little distinction is made between the two. We, nonetheless, know that such a distinction is crucial in terms of crisis prediction (Freixas et al. 2015).**

Questions

- **As the optimal interest rates are quantitatively not very different**, the authors propose several approaches (uncertainty, Bayesian, and robustness) applied on three parameters (credit constraints, severity of crisis, and openness). **Which approach and parameter make more economic sense and, more importantly, why?**
- Are there any implications based on your results on **global risks** / **policy coordination**? What if a small (or large) subset of EMEs follows your policy recommendations?

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