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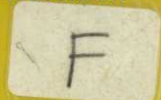
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Exchange Rates and International Macroeconomics

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Chicago

Edited by
Jacob A. Frenkel

Exchange Rates and International Macroeconomics

Edited by JACOB A. FRENKEL

This volume, presenting some of the finest new research on exchange rates and international macroeconomics, contains papers and critical commentary by thirty-two leading economists. Taken together, these papers provide sound evidence about the effects of real and monetary factors on exchange rates and extend the analyses of exchange rates and international macroeconomics by outlining the kinds of behavior and institutional arrangements that can be incorporated into such analyses.

Both empirical and theoretical research are represented, and the contributors analyze such issues as the performance of various models of exchange rate determination, the role of risk and speculation in the forward market for foreign exchange, the rational expectations hypothesis in such markets, the performance of monetary policy in ten industrial countries, the role that labor market contracts play in exchange rate policies, the effect of the oil shocks on the evolution of exchange rates, and the output cost of bringing down inflation in the open economy.

The volume editor, Jacob A. Frenkel, has provided in his introduction a detailed reader's guide to the papers. He also raises open questions in the analysis of exchange rates and international macroeconomics, illustrating his discussion with examples of suggested issues for further research.

JACOB A. FRENKEL is the David Rockefeller Professor of International Economics at the University of Chicago and editor of the *Journal of Political Economy*.

An NBER Conference Volume

**Exchange
Rates and
International
Macroeconomics**



A Conference Report
National Bureau of
Economic Research

Exchange Rates and International Macroeconomics

Edited by **Jacob A. Frenkel**



The University of Chicago Press

Chicago and London

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Since this volume is a record of conference proceedings, it has been exempted from the rules governing critical review of manuscripts by the Board of Directors of the National Bureau of Economic Research (resolution adopted 8 June 1948, as revised 21 November 1949 and 20 April 1968).

Contents

	<i>Preface</i>	ix
1.	An Introduction to Exchange Rates and International Macroeconomics Jacob A. Frenkel	1
2.	An Accounting Framework and Some Issues for Modeling How Exchange Rates Respond to the News Peter Isard <i>Comment:</i> Sebastian Edwards <i>Comment:</i> Jeffrey A. Frankel	19
3.	The Out-of-Sample Failure of Empirical Exchange Rate Models: Sampling Error or Misspecification? Richard Meese and Kenneth Rogoff <i>Comment:</i> Nasser Saïdi <i>Comment:</i> Michael K. Salemi	67
4.	Risk Averse Speculation in the Forward Foreign Exchange Market: An Econometric Analysis of Linear Models Lars Peter Hansen and Robert J. Hodrick <i>Comment:</i> Craig S. Hakkio <i>Comment:</i> Kenneth J. Singleton	113
5.	Rational Expectations and the Foreign Exchange Market Peter R. Hartley <i>Comment:</i> Debra Glassman <i>Comment:</i> Maurice Obstfeld	153

6.	The Use of Monetary Policy for Internal and External Balance in Ten Industrial Countries Stanley W. Black <i>Comment:</i> Leonardo Leiderman <i>Comment:</i> Alan C. Stockman	189
7.	Staggered Contracts and Exchange Rate Policy Guillermo A. Calvo <i>Comment:</i> John B. Taylor <i>Comment:</i> Michael Mussa	235
8.	Oil Shocks and Exchange Rate Dynamics Paul Krugman <i>Comment:</i> Pentti J. K. Kouri <i>Comment:</i> Charles A. Wilson	259
9.	Real Adjustment and Exchange Rate Dynamics J. Peter Neary and Douglas D. Purvis <i>Comment:</i> Kent P. Kimbrough <i>Comment:</i> Jeffrey Sachs	285
10.	Real Exchange Rate Overshooting and the Output Cost of Bringing Down Inflation: Some Further Results Willem H. Buiter and Marcus Miller <i>Comment:</i> Robert P. Flood <i>Comment:</i> Jürg Niehans	317
	<i>List of Contributors</i>	369
	<i>Author Index</i>	373
	<i>Subject Index</i>	376

Preface

This volume contains papers and comments presented at a conference on Exchange Rates and International Macroeconomics, held in Cambridge, Massachusetts, on 20–21 November 1981 and sponsored by the National Bureau of Economic Research.

When invited to organize the conference, I was asked to prepare the text for a “call for papers” announcement specifying the range of topics that would be considered. In contemplating the proper scope of such a conference I decided to consider a broad range of topics. Accordingly, the announcement stated that:

The conference will be broad enough to accommodate a wide variety of issues relating in one way or another to international macroeconomics. Appropriate for the conference are papers dealing with the following topics: exchange rate determination, interactions between commodity prices and exchange rates, efficiency of the foreign exchange market, the role of information, labor-market institutions and indexation, structural adjustment and international competitiveness, the economics of managed floating, rules for crawling pegs, stabilization policy and balance-of-payments adjustment, international capital markets, international reserves and world inflation, aspects of international monetary reform such as: design of an optimal reserve investment and international consistency of national pegging arrangements, and the role of policy coordination. Other possible topics that can be interpreted as related to international macroeconomics will be considered. Priority will be given to empirically oriented research, but submission of theoretical papers on these topics is welcome also.

Papers will be selected on the basis of abstracts of about 500 words or, when possible, complete papers, with preference being given to papers by younger members of the profession. Any research that will not have been published at the time of the conference may be submitted.

The response to this call for papers was overwhelming. Within a few weeks several hundred papers and abstracts were submitted for consideration of possible inclusion in the conference program. The quality of the submissions was exceedingly high and without doubt sufficient papers could have been selected to fill up the programs of three or four high-quality conferences. As always in such circumstances, the final selection had to be somewhat arbitrary even though one must admit that personal taste always plays an important role in “arbitrary” selection processes. In making the selection, I attempted to have some blend of empirical and theoretical research even though this volume gives a somewhat larger share to empirical contributions. Each paper was assigned to formal discussants whose comments are also included in this volume.