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Market Imperfections and Macroeconomic Dynamics is based upon a collection of papers originally presented at the 5th Theory and Methods in Macroeconomics (T2M) meeting in Paris, France, 2002. The contributions in this volume focus on a central theme: the aggregate dynamic consequences of market imperfections. Such effects are of great interest to researchers in macroeconomics as these imperfections play a primary role in the persistence of aggregate output, the characteristics of the business cycles and the interactions of agents over time. Incorporating up-to-date techniques and methods, these contributions exemplify the remarkable progress made by macroeconomists in tackling these issues. The primary market for Market Imperfections and Macroeconomic Dynamics is academic researchers in economics and graduate students specializing in macroeconomics. Divisions of economic studies in public administration and in financial organizations will also find this book beneficial.

This insightful book presents topics in applied dynamic macrotheory for closed and open economies. The authors give an advanced treatment of macroeconomic topics such as the Phillips curve, forward and backward looking behavior, open economy macrodynamics, structural macroeconometric model building as well as the empirics of Keynesian oriented macro models. The dynamics of open economies in the context of interacting two country models are treated as well.

The financial instability and its spillover to the real sector have become a great challenge to macro-economic theory. The book takes a Keynesian theoretical perspective, representing an attempt to revive what Keynes stressed in his General Theory, namely the role of the financial market in macroeconomic out-comes. Although this book is inspired and motivated by the Asian currency and financial crises in the years 1997-8 and the experiences of the currently evolving U.S. financial disruptions, it also focuses on reviving a modeling tradition that provides a theoretical framework that throws light on recent financial market episodes and disturbances and their macroeconomic effects. It brings to the forefront, as Keynes has suggested, the role of financial market stability for growth and macroeconomics. It criticizes theories that see economic disruptions and shocks rooted solely in the real side of the economy. It stresses the financial real interaction as the major source for macroeconomic instability and disruptions. This important new book from a group of Keynesian, but nonetheless technically oriented economists would be of most interest to specialists and graduate students in macroeconomics and financial economics, especially those with an interest in US and European financial markets, emerging market analysis, and dynamic economic modeling.

This book examines the economic dynamics of Central and Eastern European post-Communist countries. It illuminates the paths these countries are taking toward restructuring their markets, increasing international trade, and bettering their connections with the European Union and other countries. Beginning with a comparative analysis of the three

This valuable text provides a comprehensive introduction to VAR modelling and how it can be applied. In particular, the author focuses on the properties of the Cointegrated VAR model and its implications for macroeconomic inference when data are non-stationary. The text provides a number of insights into the links between statistical econometric modelling and economic theory and gives a thorough treatment of identification of the long-run and short-run structure as well as of the common stochastic trends and the impulse response functions, providing in each case illustrations of applicability. This book presents the main ingredients of the Copenhagen School of Time-Series Econometrics in a transparent and coherent framework. The distinguishing feature of this school is that econometric theory and applications have been developed in close cooperation. The guiding principle is that good econometric work should take econometrics, institutions, and economics seriously. The author uses a single data set throughout most of the book to guide the reader through the econometric theory while also revealing the full implications for the underlying economic model. To test ensure full understanding the book concludes with the introduction of two new data sets to combine readers understanding of econometric theory and economic models, with economic reality.

Economics With the vast amount of information that economic operators and the public in general have to interpret nowadays, communication has acquired an extraordinary importance, unimaginable even a few years ago. The global economy is above all the economy of information. Communication, while always an art to some extent, is now becoming a science, as evidenced also by the creation of so many University majors in this discipline in Italy. This book is but an example of this phenomenon: it uses the tools of economic analysis and econometrics in order to explain the variations in exchange rates, by examining the international markets' reactions to the various forms of macroeconomic and political news.

International Macroeconomic Dynamics provides extensive applications of important macroeconomic dynamic models to the international economy. For a long time, the study of macroeconomics has focused almost exclusively on a closed economy and downplayed the role of international transactions. Today, however, researchers recognize that one cannot fully understand domestic macroeconomic relationships without considering the global economy within which each country operates. Increasingly, economists are treating international transactions as an integral part of the macroeconomic system, and international macroeconomics has become an area of intensive research activity. International Macroeconomic Dynamics provides extensive applications of important macroeconomic dynamic models to the international economy. It adopts the main contemporary macroeconomic framework, the representative agent model, and develops a series of models of increasing complexity. The author considers both small and large economies and analyzes them in both deterministic and stochastic contexts. The emphasis is very much on the development of the analytical models; a novel feature is the extensive use of continuous-time stochastic methods. While the author applies the models to a range of important policy issues, particularly issues of fiscal policy, the reader is invited to view the analyses as blueprints for other applications.

It has recently been observed that when equations of motion for state variables are nonautonomous, optimal control problems involving Uzawa's endogenous rate of time preference cannot be solved using the change-of-variables method common in the literature. Instead, the problem must be solved by explicitly adding an additional state variable that measures the motion of time preference over time. This note reassesses earlier work of my own on exchange rate dynamics, which was based on a change-of- variables solution procedure. When the correct two-state-variable solution procedure is used, the model's qualitative predictions are unchanged. In addition, the analysis yields an intuitive interpretation of the extra co-state variable that arises in solving the individual's maximization problem.

The creation of the European Central Bank and the Euro have brought new challenges to EU integration and economic policy. This book looks into issues of monetary and factor market policies. The analysis also presents new theoretical and empirical research on the - transitory - decline of the Euro. Issues of exchange rate policy and international economic relations also are addressed.

The recent theory of exchange rate dynamics within a target zone holds that exchange rates under a currency band are less responsive to fundamental shocks than exchange rates under a free float, provided that the intervention rules of the Central Bank(s) are common knowledge. These results are derived after having assumed a priori that excess volatility due to rational bubbles does not occur in the foreign exchange market. In this paper we consider instead a set-up in which the existence of speculative behaviour is a datum with which the central bank has to deal. We show that the defence of the target zone in the presence of bubbles is viable if the Central Bank accommodates speculative attacks when the latter are consistent with the survival of the target zone itself and expectations are self-fulfilling. We show that the instantaneous volatility of exchange rates within a bank is not necessarily less than the volatility under free float. There need not be a constant tradeoff between the volatility of the change in the exchange rate and the volatility of the change in the interest rate differential. Fundamental-dependent bubbles can account for the excess response of the exchange rate to the fundamental. The relationship between the exchange rate and the interest differential need not be negative, even if the target zone is fully credible.

This book offers a comprehensive empirical analysis of South African inflation dynamics, using a variety of techniques including counterfactual analysis. The authors elaborate the roles in inflation of thresholds, nonlinearities and asymmetries introduced by economic conditions such as the size of exchange rate changes and volatility, GDP growth, inflation, output gap, credit growth, sovereign spreads and fiscal policy, providing new policy evidence on the impact of these. Ndou and Gumata apply techniques to determine the prevalence of updating inflation expectations, and reconsider the propagation effects of a number of inflation risk factors. Asking to what extent the evidence points to a need to enforce price stability and the anchoring of inflation expectation, the book fills existing gaps in South African Policy, and maintains a clear argument that price stability is consistent with the 3 to 6 per cent inflation target range, and that threshold application should form an important aspect of policy analysis in periods of macroeconomic uncertainty. As such, the book serves as an excellent reference text for academic and policy discussions alike.

Structural change, economic growth and adequate exchange rate adjustment are key challenges in the context of EU eastern enlargement as are consistent macroeconomic policies. The authors focus on sectoral adjustment across industries in catching-up countries and explain changes in the composition of output – this includes new aspects of the Chenery model. They describe and analyze the spatial pattern of specialization and adjustment in many countries. Theoretical and empirical analysis of foreign direct investment, innovation and structural change shed new light on economic dynamics in Old Europe and New Europe. As regards exchange rate dynamics both traditional aspects (such as the Balassa-Samuelson effect) and new approaches to understanding exchange rate developments are presented. Links between exchange rate changes and innovation are particularly emphasized.

Still after more than thirty years of free floating exchange rates, large parts of exchange rate dynamics remain a puzzle. As this book shows, much progress has been made in explaining exchange rate movements over longer horizons. It also shows, however, that short-run movements are far more challenging to explain. The book is based upon a variety of papers, many of them released recently. A key aspiration of the literature has always been not only to explain past exchange rate behavior but also to forecast out of sample and to compare it to the simple random walk outcome. Here some development has been made after Meese and Rogoff's (1983) truculent verdict of the performance of common exchange rate models. By means of empirical analysis and descriptive statistics this book further supports the established long-run relationships between exchange rates and fundamentals such as expected productivity growth, real GDP growth, domestic investment, interest rates, inflation, government spending, and current account balances. It finds that these fundamentals affect the exchange rate to varying degrees over time. Turning to short-term exchange rate dynamics, it turns out that a different set of forces is at play. The key to explaining short-run movements is to be found in an extensive micro-foundation that factors in a pronounced heterogeneity among market participants and information asymmetries, as well as the possibility of sudden shifts in sentiment, beliefs, and the degree of risk aversion. Promising results have been obtained by order-flow analysis and high frequency data. Also, the consideration of chartism and speculators facilitates understanding for otherwise puzzling exchange rate movements. The last attempt to tackle the understanding of exchange rate behavior is the use of frequency domain analysis and in particular spectral analysis which tries to track down any cyclical patterns in the various moments of time series. And as we shall see forex indeed incorpor

The book provides a comprehensive overview of the latest econometric methods for studying the dynamics of macroeconomic and financial time series. It examines alternative methodological approaches and concepts, including quantile spectra and co-spectra, and explores topics such as non-linear and non-stationary behavior, stochastic volatility models, and the econometrics of commodity markets and globalization. Furthermore, it demonstrates the application of recent techniques in various fields: in the frequency domain, in the analysis of persistent dynamics, in the estimation of state space models and new classes of volatility models. The book is divided into two parts: The first part applies econometrics to the field of macroeconomics, discussing trend/cycle decomposition, growth analysis, monetary policy and international trade. The second part applies econometrics to a wide range of topics in financial economics, including price dynamics in equity, commodity and foreign exchange markets and portfolio analysis. The book is essential reading for scholars, students, and practitioners in government and financial institutions interested in applying recent econometric time series methods to financial and economic data.

Dark matter accounts for 83 percent of the matter in the universe and plays a central role in cosmology modeling. This paper argues that an analogous form of dark matter plays a similarly important role in international macroeconomics. Exchange-rate dark matter is invisible, but its existence can be inferred from observations on real exchange rates and interest rates. I first show that dark matter is the dominant driver of short- and medium-term changes in real exchange rates for the G-7 countries; accounting for more than 90 percent of the variance at the five-year horizon. I then develop a model in which risk shocks account for dark matter's role as a driver of exchange-rate dynamics and other macro variables.

Macroeconomics is in disarray. No one approach is dominant, and an increasing divide between theory and empirics is evident. This book presents both a critique of mainstream macroeconomics from a structuralist perspective and an exposition of modern structuralist approaches. The fundamental assumption of structuralism is that it is impossible to understand a macroeconomy without understanding its major institutions and distributive relationships across productive sectors and social groups. Lance Taylor focuses his critique on mainstream monetarist, new classical, new

Keynesian, and growth models. He examines them from a historical perspective, tracing monetarism from its eighteenth-century roots and comparing current monetarist and new classical models with those of the post-Wicksellian, pre-Keynesian generation of macroeconomists. He contrasts the new Keynesian vision with Keynes's General Theory, and analyzes contemporary growth theories against long traditions of thought about economic development and structural change. Table of Contents: Acknowledgments Introduction 1. Social Accounts and Social Relations 1. A Simple Social Accounting Matrix 2. Implications of the Accounts 3. Disaggregating Effective Demand 4. A More Realistic SAM 5. Stock-Flow Relationships 6. A SAM and Asset Accounts for the United States 7. Further Thoughts 2. Prices and Distribution 1. Classical Macroeconomics 2. Classical Theories of Price and Distribution 3. Neoclassical Cost-Based Prices 4. Hat Calculus, Measuring Productivity Growth, and Full Employment Equilibrium 5. 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A Structuralist Synopsis 5. Short--Term Model Closure and Long-Term Growth 1. Model "Closures" in the Short Run 2. Graphical Representations and Supply-Driven Growth 3. Harrod, Robinson, and Related Stories 4. More Stable Demand-Determined Growth 6. Chicago Monetarism, New Classical Macroeconomics, and Mainstream Finance 1. Methodological Caveats 2. A Chicago Monetarist Model 3. A Cleaner Version of Monetarism 4. New Classical Spins 5. Dynamics of Government Debt 6. Ricardian Equivalence 7. The Business Cycle Conundrum 8. Cycles from the Supply Side 9. Optimal Behavior under Risk 10. Random Walk, Equity Premium, and the Modigliani-Miller Theorem 11. More on Modigliani-Miller 12. The Calculation Debate and Super-Rational Economics 7. Effective Demand and the Distributive Curve 1. Initial Observations 2. Inflation, Productivity Growth, and Distribution 3. Absorbing Productivity Growth 4. Effects of Expansionary Policy 5. Financial Extensions 6. Dynamics of the System 7. 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Other Theories of the Exchange Rate 12. A Developing Country Debt Cycle 13. Fencing in the Beast 11. Growth and Development Theories 1. New Growth Theories and Say's Law 2. Distribution and Growth 3. Models with Binding Resource or Sectoral Supply Constraints 4. Accounting for Growth 5. Other Perspectives 6. The Mainstream Policy Response 7. Where Theory Might Sensibly Go References Index Reconstructing Macroeconomics is a stunning intellectual achievement. It surveys an astonishing range of macroeconomic problems and approaches in a compact, coherent critical framework with unfailing depth, wit, and subtlety. Lance Taylor's pathbreaking work in structural macroeconomics and econometrics sets challenging standards of rigor, realism, and insight for the field. Taylor shows why the structuralist and Keynesian insistence on putting accounting consistency, income distribution, and aggregate demand at the center of macroeconomic analysis is indispensable to understanding real-world macroeconomic events in both developing and developed economies. The book is full of new results, modeling techniques, and shrewd suggestions for further research. Taylor's scrupulous and balanced appraisal of the whole range of macroeconomic schools of thought will be a source of new perspectives to macroeconomists of every persuasion. --Duncan K. Foley, New School University Lance Taylor has produced a masterful and comprehensive critical survey of existing macro models, both mainstream and structuralist, which breaks considerable new ground. The pace is brisk, the level is high, and the writing is entertaining. The author's sense of humor and literary references enliven the discussion of otherwise arcane and technical, but extremely important, issues in macro theory. This book is sure to become a standard reference that future generations of macroeconomists will refer to for decades to come. --Robert Blecker, American University While there are other books dealing with heterodox macroeconomics, this book surpasses them all in the quality of its presentation and in the careful treatment and criticism of orthodox macroeconomics including its recent contributions. The book is unique in the way it systematically covers heterodox growth theory and its relations to other aspects of heterodox macroeconomics using a common organizing framework in terms of accounting relations, and in the way it compares the theories with mainstream contributions. Another positive and novel feature of the book is that it takes a long view of the development of economic ideas, which leads to a more accurate appreciation of the real contributions by recent theoretical developments than is possible in a presentation that ignores the history of macroeconomics. --Amitava Dutt, University of Notre Dame

Techniques of regulated Brownian motion are used to analyze the behavior of the exchange rate when official policy reaction functions are subject to future stochastic changes. We examine exchange-rate dynamics in alternative cases where the authorities promise (i) to confine a floating rate within a predetermined range and (ii) to peg the currency once it reaches a predetermined future level. Similarities between these and several related

examples of regime switching are stressed.
Exchange Rates and Global Financial Policies brings together research and work done by world-class economist Paul De Grauwe over the past two decades. Drawing inspiration from behavioural finance literature, De Grauwe covers topics such as exchange rate economics, monetary integration (with particular attention on the Eurozone), and international macroeconomics. His work is categorised across three parts. The first part develops new theoretical and empirical approaches to exchange rate modelling. The second part features a collection of papers on the theory and empirical analysis of monetary unions. The final part contains criticism of mainstream macroeconomic models as well as proposed alternative modelling approaches. Contents:Exchange Rate Economics:Chaos in the Dornbusch Model of the Exchange Rate (Paul De Grauwe and Hans Dewachter)Heterogeneity of Agents, Transactions Costs and the Exchange Rate (Paul De Grauwe and Marianna Grimaldi)Exchange Rate Puzzles: A Tale of Switching Attractors (Paul De Grauwe and Marianna Grimaldi)Exchange Rates in Search of Fundamentals: The Case of the Euro–Dollar Rate (Paul De Grauwe)Exchange Rates and Fundamentals: A Non-Linear Relationship? (Paul De Grauwe and Isabel Vansteenkiste)The Impact of FX Central Bank Intervention in a Noise Trading Framework (Michel Beine, Paul De Grauwe and Marianna Grimaldi)Monetary Integration:Conditions for Monetary Integration: A Geometric Interpretation (Paul De Grauwe)Is Europe an Optimum Currency Area? Evidence from Regional Data (Paul De Grauwe and Wim Vanhaverbeke)Setting Conversion Rates for the Third Stage of EMU (Paul De Grauwe and Luigi Spaventa)The Euro and Financial Crises (Paul De Grauwe)What have We Learnt About Monetary Integration Since the Maastricht Treaty? (Paul De Grauwe)The Governance of a Fragile Eurozone (Paul De Grauwe)Do Asymmetries Matter for European Monetary Policy? (Yunus Aksoy, Paul De Grauwe and Hans Dewachter)Macroeconomics And Monetary Policy:Is Inflation always and Everywhere a Monetary Phenomenon? (Paul De Grauwe and Magdalena Polan)Monetary Policy and the Real Economy (Paul De Grauwe and Cláudia Costa Storti)Lessons from the Banking Crisis: A Return to Narrow Banking (Paul De Grauwe)The Scientific Foundation of Dynamic Stochastic General Equilibrium (DSGE) Models (Paul De Grauwe)Animal Spirits and Monetary Policy (Paul De Grauwe)Booms and Busts in Economic Activity: A Behavioral Explanation (Paul De Grauwe) Readership: Graduate students and researchers in the fields of international economics and international finance. Keywords:Exchange Rate;Financial Policies;Turbulence;Exchange Market;Motenary Union;-Macroeconomics;Economic Models;Behaviorial Economics;Monetary Integration;Euro;Financial Crisis;European Monetary Policy;-Dynamic Stochastic General EquilibriumauthorKey Features:Cover a wide range of issues in international macroeconomics and international financeUse insights of behavioral economics making it possible to better understand macroeconomic dynamics
Just as macroeconomic models describe the overall economy within a changing, or dynamic, framework, the models themselves change over time. In this text Stephen J. Turnovsky reviews in depth several early models as well as a representation of more recent models. They include traditional (backward-looking) models, linear rational expectations (future-looking) models, intertemporal optimization models, endogenous growth models, and continuous time stochastic models. The author uses exam-

ples from both closed and open economies. Whereas others commonly introduce models in a closed context, tacking on a brief discussion of the model in an open economy, Turnovsky integrates the two perspectives throughout to reflect the increasingly international outlook of the field. This new edition has been extensively revised. It contains a new chapter on optimal monetary and fiscal policy, and the coverage of growth theory has been expanded substantially. The range of growth models considered has been extended, with particular attention devoted to transitional dynamics and nonscale growth. The book includes cutting-edge research and unpublished data, including much of the author's own work.

Until now, thinking on open economy macroeconomics has been largely schizophrenic. When it comes to analyzing exchange rate dynamics, an empirically-minded economist abandons modern current account models which, while theoretically coherent, fail to address the awkward reality of sticky nominal prices. In this paper we develop an analytically tractable two-country model that marries a full account of dynamics to a supply framework based on monopolistic competition and sticky prices. It offers simple and intuitive predictions about exchange rates and current accounts that sometimes differ sharply from those of either modern flexible-price intertemporal models, or traditional sticky-price Keynesian models. The model also leads to a novel perspective on the international welfare spillovers of monetary and fiscal policies.

International finance is the branch of economics that studies the dynamics of exchange rates, foreign investment, and how these affect international trade. In a globalising world, the policies of various central banks and similar institutions impact large and small players alike. This book presents new and important research on issues of interest in international finance and monetary policy.

Suitable for students and researchers seeking coverage of the developments in macroeconomics, this title lays out the core ideas of modern macroeconomics and its links with finance. It presents the simplest general equilibrium macroeconomic model for a closed economy, and then gradually develops a comprehensive model of the open economy.

Agent-based modelling in economics Lynne Hamill and Nigel Gilbert, Centre for Research in Social Simulation (CRESS), University of Surrey, UK New methods of economic modelling have been sought as a result of the global economic downturn in 2008.This unique book highlights the benefits of an agent-based modelling (ABM) approach. It demonstrates how ABM can easily handle complexity: heterogeneous people, households and firms interacting dynamically. Unlike traditional methods, ABM does not require people or firms to optimise or economic systems to reach equilibrium. ABM offers a way to link micro foundations directly to the macro situation. Key features: Introduces the concept of agent-based modelling and shows how it differs from existing approaches. Provides a theoretical and methodological rationale for using ABM in economics, along with practical advice on how to design and create the models. Each chapter starts with a short summary of the relevant economic theory and then shows how to apply ABM. Explores both topics covered in basic economics textbooks and current important policy themes; unemployment,

exchange rates, banking and environmental issues. Describes the models in pseudocode, enabling the reader to develop programs in their chosen language. Supported by a website featuring the NetLogo models described in the book. Agent-based Modelling in Economics provides students and researchers with the skills to design, implement, and analyze agent-based models. Third year undergraduate, master and doctoral students, faculty and professional economists will find this book an invaluable resource.
This book builds upon the seminal work by Obsfeld and Rogoff, Foundations of International Macroeconomics and provides a coherent and modern framework for thinking about exchange rate dynamics.

We estimate the latent factors that underlie the dynamics of the sovereign bond yield curve in Morocco during 2004–14 based on the Dynamic Nelson-Siegel model. On this basis, we explore the interaction between macroeconomic variables and the yield curve, which is of direct relevance to macroeconomic policy-making. In Morocco's context, we find that tighter monetary policy increases short-end maturities, and that the impact is small and short-lived. Economic activity is also briefly but significantly impacted, suggesting that even under a pegged exchange rate, monetary policy autonomy and effectiveness can be increased through greater central bank independence. Fiscal improvements significantly lower yield levels. Policy conclusions are that improvement in the fiscal and monetary policy frameworks, as well as greater financial sector development and inclusion, could benefit Morocco and strengthen the transmission mechanisms and effectiveness of macroeconomic policies.

Table of contents
How successful is PPP, and its extension in the monetary model, as a measure of the equilibrium exchange rate? What are the determinants and dynamics of equilibrium real exchange rates? How can misalignments be measured, and what are their causes? What are the effects of specific policies upon the equilibrium exchange rate? The answers to these questions are important to academic theorists, policymakers, international bankers and investment fund managers. This volume encompasses all of the competing views of equilibrium exchange rate determination, from PPP, through other reduced form models, to the macroeconomic balance approach. This volume is essentially empirical: what do we know about exchange rates? The different econometric and theoretical approaches taken by the various authors in this volume lead to mutually consistent conclusions. This consistency gives us confidence that significant progress has been made in understanding what are the fundamental determinants of exchange rates and what are the forces operating to bring them back in line with the fundamentals.
The author develops, and applies a macroeconomic framework to ascertain the influence of domestic disequilibria, and external shocks on inflation dynamics in Uzbekistan. Using quarterly data for the period 1994:01 to 2000:03, he estimates several "long-run" relationships for the goods, money, and foreign exchange markets of Uzbekistan, which are characterized by multiple exchange rates, import restrictions, and other domestic administrative controls. The empirical estimates, which use error correction mechanisms for different markets, show that domestic monetary, and output developments, and changes in the official

exchange rate, compared with the parallel market rate, have had a significant influence on the short-run behavior of the foreign exchange market in Uzbekistan. Furthermore, disequilibria in the product, and money markets are the major forces driving short--run inflation dynamics in Uzbekistan. It should be noted that the study has been constrained by both the quantity, and the quality of quarterly data available for the Uzbekistan economy.

This book examines the numerous aspects of exchange rates and the dynamics of macroeconomics, focusing on the PPP puzzle, volatility, levels, with an exploration of the real exchange rate misalignment of the Central European countries single equation approach, an examination of the real equilibrium exchange rate in China, exchange rate dynamics and pass-through effects in Russia and Hungary, and structural shocks on economies.

Competitiveness is a notoriously slippery concept. This volume, featuring a galaxy of economic stars, lends some much-needed precision to the term and the debate over its determinants. Barry Eichengreen, University of California, Berkeley, US This book combines currency matters with competitiveness considerations, with a view to raising the understanding of exchange rate dynamics and to analysing the role of exchange rates in reinforcing economic competitiveness. The overall focus is on highlighting the link between currency developments and the real side of the economy. From a regional perspective, the contributions centre on developments in Central, Eastern and South-eastern Europe and thus put a special emphasis on aspects of transition and convergence. More specifically, the book addresses key issues of financial globalization and global imbalances; the role of macroeconomic fundamentals in exchange rate economics; the role, objectives and challenges of regional monetary unions; exchange rate dynamics in transition economies and the competitiveness of catching-up countries. It also addresses the structural aspects of competitiveness and the significance of qualitative and quantitative aspects of competitiveness. Offering the views of eminent academics and professionals, this book will be of great interest to economists and central bankers as well as to international organizations, universities and research institutes.

We report some findings from a survey of practitioners in the interbank foreign exchange markets in Hong Kong, Tokyo, and Singapore. The respondents contend that liquidity and market uncertainty are two important reasons for deviating from the conventional interbank bid-ask spread. A strong customer base is perceived as a source of competitive advantage for large participants. Most respondents agree that non-fundamental factors have pervasive impacts on short-run exchange rates. Speculation is believed to increase volatility but also improve market liquidity and efficiency. Despite their claim that intervention exacerbates volatility, more than one-half of the respondents suggest official intervention helps restore equilibrium.

Variations in the foreign exchange market influence all aspects of the world economy, and understanding these dynamics is one of the great challenges of international economics. This book provides a new, comprehensive, and in-depth examination of the standard theories and latest research in exchange-rate economics. Covering a vast swath of theoretical and empirical work, the book explores established theories of exchange-rate determination using macroeconomic fundamentals, and presents unique microbased approaches that combine the insights of microstructure models with the macroeconomic forces driving currency trading. Macroeconomic models have long assumed that agents---households, firms, financial institutions, and central banks--all have the same information about the structure of the economy and therefore hold the same expectations and uncertainties regarding foreign currency returns. Microbased models, however, look at how heterogeneous information influences the trading decisions of agents and becomes embedded in exchange rates. Replicating key features of actual currency markets, these microbased models generate a rich array of empirical predictions concerning trading patterns and exchange-rate dynamics that are strongly supported by data. The models also show how changing macroeconomic conditions exert an influence on short-term exchange-rate dynamics via their impact on currency trading. Designed for graduate courses in international macroeconomics, international finance, and finance, and as a go-to reference for researchers in international economics, Exchange-Rate Dynamics guides readers through a range of literature on exchange-rate determination, offering fresh insights for further reading and research. Comprehensive and in-depth examination of the latest research in exchange-rate economics Outlines theoretical and empirical research across the spectrum of modeling approaches Presents new results on the importance of currency trading in exchange-rate determination Provides new perspectives on long--standing puzzles in exchange-rate economics End-of-chapter questions cement key ideas

Inflation plays a central role in macroeconomic and financial policy regulation, and its dynamic formation has gradually become a popular research topic in this field. This book comprehensively studies the dynamic mechanism of inflation in China from the perspective of New Keynesian economics. By combining the dynamic trajectory of price changes since China's reform and opening-up under Deng Xiaoping as well as the underlying economic operating characteristics, the book deploys a multifaceted approach to understand the mechanism of inflation dynamics. The author explores the microfoundations of inflation dynamics, and underlines their importance in the context of modern monetary policy. In particular, he builds upon the traditional New Keynesian Phillips curve to include factors of globalization and financialization within the inflation formation regime of modern China. As the book explores the dynamic mechanism of China's inflation from different perspectives including inflation cycle theory, price index internal conduction, price index chain transmission, capital rotation, and industry inflation mechanisms, international readers will gain a full understanding of China's inflation, monetary policy, and economy.

The canonical predictions of intertemporal open-economy macro models are tested by a structural VAR analysis of Group of Seven countries. The analysis is distinguished from the previous literature in that it adopts minimal assumptions for identification. Consistent with a large set of theoretical models, permanent shocks have large long-term effects on the real exchange rate but relatively small effects on the current account; temporary shocks have large effects on the current account and exchange rate in the short run, but not on either variable in the long run. The signs of some impulse responses point toward models that differentiate

tradables and nontradables.
Macroeconomic theory and policy: how the closed economy was opened; Asset markets, exchange rates, and the balance of payments; The specification and influence of asset markets; The specification of goods and factor markets in open economy macroeconomic models; Stabilization policies in open economics; Exchange - rate dynamics; Empirical studies of exchange rates: price beliavior, rate determination and market efficiency; Income and price effects in foreign trade; Empirical studies of macroeconomic interdependence; International money and international monetary arrangements; Economic interdeoendence and coordination of economic policies.