The Economics of Exchange Rates

Lucio Sarno

and

Mark P. Taylor

with a foreword by

Jeffrey A. Frankel



Contents

	Foreword by Jeffrey A. Frankel	pegs ix
	Preface	xi
1	Introduction	1
2	Foreign exchange market efficiency	5
	Appendix A. Mean of a log-normally distributed variable	35
	Appendix B. Siegel's paradox	36
	Appendix C. Generalised method-of-moments estimators	38
	Appendix D. Cointegration and the Granger representation theorem	42
3	Purchasing power parity and the real exchange rate	51
4	Exchange rate determination: theories and evidence	97
5	New open-economy macroeconomics	144
6	Currency unions, pegged exchange rates and target zone models	170
	Appendix A. The method of simulated moments	201
7	Official intervention in the foreign exchange market	208
8	Models of currency crisis and speculative attack	245
9	Foreign exchange market microstructure	264
	Author index	307
	Subject index	313
	-	