

# Exchange Rate Policy in Europe

Edited by

Pavlos Karadeloglou

*Economist*

*Bank of Greece*



# Contents

<i>List of Tables</i>	vii
<i>List of Figures</i>	x
<i>Notes on the Contributors</i>	xii
Foreword <i>Pavlos Karadeloglou</i>	xix
Introduction: The Evolution towards European Monetary Union <i>Robert Raymond</i>	1
<b>Part I Econometric Aspects of Exchange Rate Determination in Europe</b>	
1. Are Dollar Exchange Rates Cointegrated After All? <i>Eric Girardin and Velayoudom Marimoutou</i>	7
2. Modelling Exchange Rates Using MARS <i>Jan de Gooijer and Horst Krüger</i>	24
3. Sterling's Relationship with the Deutschmark: A Probabilistic Reduction Approach <i>Guglielmo Maria Caporale and Nikitas Pittis</i>	45
4. Purchasing Power Parity and Cointegration: The Case of Greek Exchange Rates <i>George B. Hondroyiannis and Evangelia Papapetrou</i>	60
<b>Part II EMS and Exchange Rate Policy</b>	
5. German Interest Rates and the European Monetary System <i>Peter J.G. Vlaar</i>	83
6. Currency Substitution and Exchange Rate Policy within the European Union <i>Eric J. Pentecost</i>	110
7. Budgetary Implications of a European Central Bank – A Purely Strategic Perspective <i>Bas van Aarle, A. Lans Bovenberg and Matthias G. Raith</i>	132

**Part III Intervention on European Exchange Rate Markets**

8. **Target Zones: Testing the Intervention Mechanism for the European Currencies** *Pavlos Karadeloglou and Christos Papazoglou* 155
  9. **Modelling the Behaviour of Exchange Rates in the EMS** *Ashok Parikh and Costas Karfakis* 171
  10. **Intervention Policy in the Foreign Exchange Market: A Tale of Dissidents and Conformists** *André Cartapanis and Pierre Laurent* 203
- Index* 229