

Contents

| | |
|--|-----------|
| PREFACE | VII |
| 1 Introduction | 1 |
| 1.1 Old and New Approaches to International Finance | 1 |
| 1.2 Structure of the Book | 2 |
| 1.3 Small and Large Open Economies | 4 |
| 1.4 References | 4 |
| | |
| I The Basics | 5 |
| 2 The Foreign Exchange Market | 7 |
| 2.1 Introduction | 7 |
| 2.2 The Spot Exchange Market | 9 |
| 2.3 The Real Exchange Rate | 12 |
| 2.4 The Effective Exchange Rate | 15 |
| 2.5 The Forward Exchange Market | 16 |
| 2.5.1 Introduction | 16 |
| 2.5.2 Various Covering Alternatives; Forward Premium and Discount | 17 |
| 2.6 The Transactors in the Foreign Exchange Market | 21 |
| 2.6.1 Speculators | 22 |
| 2.6.2 Non-Speculators | 23 |
| 2.6.3 Monetary Authorities | 23 |
| 2.7 Currency Derivatives | 23 |
| 2.7.1 Futures | 24 |
| 2.7.2 Options | 25 |
| 2.7.3 Swap Transactions | 26 |
| 2.8 Eurodollars and Xeno-Currencies | 28 |
| 2.9 References | 30 |
| | |
| 3 Exchange-Rate Regimes | 31 |
| 3.1 The Two Extremes | 31 |
| 3.2 The Bretton Woods System | 33 |
| 3.2.1 The Monetary Authorities' Intervention | 33 |

| | | |
|-----------|---|-----------|
| 3.3 | Other Limited-Flexibility Systems | 35 |
| 3.4 | The Current Nonsystem | 37 |
| 3.5 | International Organisations | 38 |
| 3.5.1 | The IMF | 39 |
| 3.5.2 | The World Bank | 40 |
| 3.6 | References | 41 |
| 4 | International Interest-Rate Parity Conditions | 43 |
| 4.1 | Covered Interest Arbitrage, and Covered Interest Parity (CIP) | 43 |
| 4.2 | Uncovered Interest Parity (UIP) | 46 |
| 4.3 | Uncovered Interest Parity with Risk Premium | 47 |
| 4.4 | Real Interest Parity | 47 |
| 4.5 | Efficiency of the Foreign Exchange Market | 48 |
| 4.6 | Perfect Capital Mobility, Perfect Asset Substitutability, and Interest Parity Conditions | 49 |
| 4.7 | References | 51 |
| 5 | The Balance of Payments | 53 |
| 5.1 | Balance-of-Payments Accounting and Presentation | 53 |
| 5.1.1 | Introduction | 53 |
| 5.1.2 | Accounting Principles | 55 |
| 5.1.3 | Standard Components | 58 |
| 5.1.3.1 | Current Account | 59 |
| 5.1.3.2 | Capital Account | 61 |
| 5.2 | The Meaning of Surplus, Deficit, and Equilibrium in the Bal- ance of Payments | 64 |
| 5.3 | References | 67 |
| 6 | Real and Financial Flows in an Open Economy | 69 |
| 6.1 | Introduction | 69 |
| 6.2 | The Row Identities | 72 |
| 6.3 | The Column Identities | 73 |
| 6.4 | Derived Identities | 75 |
| 6.5 | Identities Are Only Identities | 77 |
| II | Flow Approaches | 79 |
| 7 | The Elasticity Approach | 81 |
| 7.1 | Introduction | 81 |
| 7.2 | Critical Elasticities and the So-Called Marshall-Lerner Condi- tion | 82 |
| 7.2.1 | The Balance of Payments in Domestic Currency | 83 |
| 7.2.2 | The Balance of Payments in Foreign Currency | 85 |

| | | |
|-----------|--|------------|
| 7.2.3 | Elasticity Optimism vs Pessimism | 86 |
| 7.3 | Foreign Exchange Market Equilibrium and Stability | 86 |
| 7.3.1 | Derivation of the Demand and Supply Schedules; Multiple Equilibria and Stability | 88 |
| 7.4 | Interrelations between the Spot and Forward Exchange Rate | 91 |
| 7.4.1 | The Various Excess Demand Schedules | 91 |
| 7.4.2 | Forward Market Equilibrium and the Spot Rate | 95 |
| 7.4.3 | The Monetary Authorities' Intervention | 96 |
| 7.5 | References | 97 |
| 8 | The Multiplier Approach | 99 |
| 8.1 | The Basic Model | 100 |
| 8.2 | Balance-of-Payments Adjustment in the Case of an Exogenous Increase in Exports | 103 |
| 8.3 | Balance-of-Payments Adjustment in the Case of an Exogenous Increase in Imports | 106 |
| 8.4 | Intermediate Goods and the Multiplier | 107 |
| 8.5 | The Empirical Relevance of the Multiplier | 109 |
| 8.6 | The Transfer Problem | 110 |
| 8.6.1 | The Classical Theory | 112 |
| 8.6.2 | The Multiplier Theory | 113 |
| 8.6.3 | Observations and Qualifications | 114 |
| 8.7 | References | 115 |
| 9 | An Integrated Approach | 117 |
| 9.1 | Interaction between Exchange Rate and Income in the Adjustment Process | 117 |
| 9.1.1 | A Graphic Representation | 119 |
| 9.1.2 | Stability | 122 |
| 9.1.3 | Comparative Statics and the Transfer Problem | 124 |
| 9.2 | The J-Curve | 126 |
| 9.3 | The S-Curve | 128 |
| 9.4 | The Alleged Insulating Power of Flexible Exchange Rates, and the International Propagation of Disturbances | 129 |
| 9.5 | References | 131 |
| 10 | The Mundell-Fleming Model | 133 |
| 10.1 | Introductory Remarks | 133 |
| 10.2 | Fixed Exchange Rates | 134 |
| 10.2.1 | Graphic Representation of the Equilibrium Conditions | 135 |
| 10.2.2 | Simultaneous Real, Monetary and External Equilibrium. Stability | 140 |
| 10.2.2.1 | Observations and Qualifications | 144 |
| 10.2.3 | Comparative Statics | 147 |

| | | |
|------------|---|------------|
| 10.2.3.1 | The Transfer Problem | 147 |
| 10.2.3.2 | Exchange-Rate Devaluation | 149 |
| 10.3 | Flexible Exchange Rates | 151 |
| 10.4 | References | 154 |
| 11 | Policy Implications of the Mundell-Fleming Model, and the Assignment Problem | 155 |
| 11.1 | Introduction | 155 |
| 11.2 | Internal and External Balance, and the Assignment Problem . | 157 |
| 11.2.1 | The Assignment Problem | 158 |
| 11.2.2 | Observations and Qualifications | 161 |
| 11.3 | Flexible Exchange Rates | 163 |
| 11.4 | Perfect Capital Mobility | 166 |
| 11.5 | References | 168 |
| III | Stock and Stock-Flow Approaches | 169 |
| 12 | The Monetary Approach to the Balance of Payments and Related Approaches | 171 |
| 12.1 | Introduction | 171 |
| 12.2 | The Classical (Humean) Price-Specie-Flow Mechanism | 171 |
| 12.3 | The Monetary Approach to the Balance of Payments | 174 |
| 12.3.1 | The Basic Propositions and Implications | 174 |
| 12.3.2 | A Simple Model | 177 |
| 12.3.3 | Does a Devaluation Help? | 179 |
| 12.3.4 | Concluding Remarks | 180 |
| 12.4 | The New Cambridge School of Economic Policy | 180 |
| 12.5 | References | 184 |
| 13 | Portfolio and Macroeconomic Equilibrium in an Open Economy | 185 |
| 13.1 | Introduction | 185 |
| 13.2 | Asset Stock Adjustment in a Partial Equilibrium Framework . | 186 |
| 13.3 | Portfolio and Macroeconomic Equilibrium under Fixed Ex- change Rates | 191 |
| 13.3.1 | Introductory Remarks | 191 |
| 13.3.2 | A Simple Model | 191 |
| 13.3.3 | Momentary and Long-Run Equilibrium | 195 |
| 13.4 | Portfolio and Macroeconomic Equilibrium under Flexible Ex- change Rates | 197 |
| 13.4.1 | Introductory Remarks | 197 |
| 13.4.2 | The Basic Model | 199 |
| 13.4.3 | Static Expectations | 203 |

| | | |
|-----------|--|------------|
| 13.4.4 | Rational Expectations and Overshooting | 206 |
| 13.5 | References | 209 |
| 14 | Growth in an Open Economy | 211 |
| 14.1 | Export-Led Growth | 212 |
| 14.1.1 | The Lamfalussy Model | 212 |
| 14.1.2 | The Beckerman Model | 213 |
| 14.2 | Growth and the Balance of Payments | 215 |
| 14.3 | Growth-Oriented Adjustment Programs | 217 |
| 14.4 | References | 219 |
| IV | The Exchange Rate | 221 |
| 15 | Exchange-Rate Determination | 223 |
| 15.1 | The Purchasing-Power-Parity Theory | 223 |
| 15.1.1 | The Harrod-Balassa-Samuelson Model | 225 |
| 15.2 | The Traditional Flow Approach | 226 |
| 15.3 | The Modern Approach: Money and Assets in Exchange-Rate Determination | 226 |
| 15.3.1 | The Monetary Approach | 227 |
| 15.3.2 | Sticky Prices, Rational Expectations, and Overshoot- ing of the Exchange-Rate | 229 |
| 15.3.3 | The Portfolio Approach | 233 |
| 15.3.3.1 | Interaction Between Current and Capital Ac- counts | 234 |
| 15.4 | The Exchange Rate in Macroeconometric Models | 237 |
| 15.5 | Exchange-Rate Determination: Empirical Studies | 240 |
| 15.5.1 | Introduction | 240 |
| 15.5.2 | The Reactions to Meese and Rogoff, and the Way Out | 241 |
| 15.5.3 | An Economy-Wide Model Beats the Random Walk | 243 |
| 15.5.4 | The Exchange Rate in Experimental Economics | 244 |
| 15.6 | Equilibrium Exchange Rates: BEERs, DEERs, FEERs and All That | 244 |
| 15.7 | References | 246 |
| 16 | Capital Movements, Speculation, and Currency Crises | 249 |
| 16.1 | Long-Term Capital Movements | 249 |
| 16.2 | Short-Term Capital Movements and Foreign Exchange Spec- ulation | 252 |
| 16.2.1 | Flexible Exchange Rates and Speculation | 254 |
| 16.3 | Speculative Attacks, Currency Crises, and Contagion | 256 |
| 16.3.1 | A First Generation Model | 258 |
| 16.3.2 | A Second Generation Model | 260 |

| | | |
|------------|--|------------|
| 16.3.3 | Third Generation Models | 264 |
| 16.3.3.1 | A Third Generation Model | 265 |
| 16.3.3.1.1 | The Crisis | 267 |
| 16.3.3.1.2 | The Stabilization Dilemma | 269 |
| 16.3.4 | The Indicators Approach. Can Crises Be Forecast? | 270 |
| 16.3.5 | Contagion | 271 |
| 16.4 | References | 274 |
| 17 | Fixed Vs Flexible Exchange Rates | 277 |
| 17.1 | The Traditional Arguments | 277 |
| 17.2 | The Modern View | 280 |
| 17.2.1 | Money Demand Shock | 280 |
| 17.2.2 | Aggregate Demand Shock | 281 |
| 17.2.3 | Aggregate Supply Shock | 281 |
| 17.2.4 | Conclusion | 282 |
| 17.3 | The Experience of the Managed Float | 283 |
| 17.3.1 | Introduction | 283 |
| 17.3.2 | New Light on an Old Debate? | 284 |
| 17.4 | The Vicious Circle Depreciation-Inflation | 287 |
| 17.4.1 | Introductory Remarks | 287 |
| 17.4.2 | The Depreciation-Inflation Circle | 288 |
| 17.4.3 | Is the Circle Really Vicious? | 290 |
| 17.5 | References | 291 |
| V | The Intertemporal Approach | 293 |
| 18 | The Intertemporal Approach to the Balance of Payments, and the Real Exchange Rate | 295 |
| 18.1 | Introduction: The Absorption Approach | 295 |
| 18.2 | Intertemporal Decisions, the Current Account, and Capital Flows | 298 |
| 18.2.1 | The Feldstein-Horioka Puzzle | 302 |
| 18.2.2 | The Harberger-Laursen-Metzler Effect Again | 303 |
| 18.3 | Intertemporal Approaches to the Real Exchange Rate | 303 |
| 18.3.1 | Introduction | 303 |
| 18.3.2 | The RAIOM Approach | 304 |
| 18.3.3 | The NATREX Approach: An Overview | 306 |
| 18.3.4 | A More Technical Presentation | 308 |
| 18.3.4.1 | Solution of the Model | 311 |
| 18.3.4.1.1 | The Medium Run | 312 |
| 18.3.4.1.2 | The Long Run | 313 |
| 18.4 | References | 314 |

| | |
|---|------------|
| 19 Recent Advances | 317 |
| 19.1 Introduction | 317 |
| 19.2 An Intertemporal Model with Endogenous Growth in an Open Economy | 317 |
| 19.2.1 The Net Borrower Economy | 320 |
| 19.3 Nominal Rigidities | 322 |
| 19.3.1 Extensions | 326 |
| 19.4 References | 327 |
| | |
| VI International Monetary Integration | 329 |
| | |
| 20 International Monetary Integration: Optimum Currency Areas and Monetary Unions | 331 |
| 20.1 Introduction | 331 |
| 20.2 The Theory of Optimum Currency Areas | 332 |
| 20.2.1 The Traditional Approach | 333 |
| 20.2.2 The Cost-Benefit Approach | 335 |
| 20.2.3 The New Theory | 339 |
| 20.2.4 Optimum for Whom? | 340 |
| 20.3 The Common Monetary Unit and the Basket Currency | 340 |
| 20.4 The Common Monetary Policy Prerequisite, the Inconsistent Triad, and Fiscal Policy | 342 |
| 20.4.1 Fiscal Policy Coordination | 344 |
| 20.5 The Single-Currency Problem | 346 |
| 20.6 References | 349 |
| | |
| 21 The European Monetary Union | 351 |
| 21.1 The European Monetary System | 351 |
| 21.1.1 The EMS and the Theory of Optimum Currency Areas | 353 |
| 21.2 The Maastricht Treaty and the Gradual Approach to EMU | 355 |
| 21.3 The Institutional Aspects | 358 |
| 21.4 The Maastricht Criteria | 360 |
| 21.5 The New Theory of Optimum Currency Areas and EMU | 363 |
| 21.6 The Euro and the Dollar | 365 |
| 21.7 References | 367 |
| | |
| VII Problems of the International Monetary (Non)System | 371 |
| | |
| 22 Key Events in the Postwar International Monetary System | 373 |
| 22.1 Introductory Remarks | 373 |
| 22.2 Convertibility | 375 |

| | |
|--|------------|
| 22.3 Eurodollars | 376 |
| 22.4 Special Drawing Rights | 377 |
| 22.5 Collapse of Bretton Woods | 379 |
| 22.6 Petrodollars | 382 |
| 22.7 Demonetization of Gold | 383 |
| 22.8 EMS and EMU | 385 |
| 22.9 The International Debt Crisis | 385 |
| 22.10 The Asian Crisis | 386 |
| 22.11 References | 387 |
| 23 International Liquidity, the Demand for International Reserves, and Xeno-Markets | 389 |
| 23.1 Introductory Remarks | 389 |
| 23.2 The Descriptive Approach | 390 |
| 23.3 The Optimizing Approach | 392 |
| 23.4 Is International Liquidity Still A Problem? | 394 |
| 23.5 The Composition of International Reserves | 395 |
| 23.6 The Analysis of Euro-Markets | 397 |
| 23.6.1 The Fixed-Multiplier Approach | 397 |
| 23.6.2 The Portfolio Approach to Euro-Markets | 398 |
| 23.7 An Evaluation of the Costs and Benefits of Xeno-Markets | 400 |
| 23.8 References | 402 |
| 24 Current Problems | 405 |
| 24.1 Introduction | 405 |
| 24.2 International Policy Coordination | 405 |
| 24.2.1 Policy Optimization, Game Theory, and International Coordination | 405 |
| 24.2.2 The Problem of the Reference Model and the Obstacles to Coordination | 410 |
| 24.3 The Debt Problem | 413 |
| 24.4 The Asian Crisis | 413 |
| 24.5 Proposals for the International Management of Exchange Rates | 414 |
| 24.5.1 Introduction | 414 |
| 24.5.2 McKinnon's Global Monetary Objective | 414 |
| 24.5.3 John Williamson's Target Zones | 415 |
| 24.5.4 The Tobin Tax | 416 |
| 24.6 References | 418 |
| VIII Appendices | 421 |
| A Appendix to Chapter 2 | 423 |
| A.1 N-Point Arbitrage | 423 |

| | | |
|----------|---|------------|
| A.2 | References | 424 |
| B | Appendix to Chapter 4 | 425 |
| B.1 | Rational Expectations and Efficiency of the Foreign Exchange Market | 425 |
| B.2 | The Peso Problem | 426 |
| B.3 | The Siegel Paradox | 427 |
| B.4 | References | 427 |
| C | Appendix to Chapter 7 | 429 |
| C.1 | The Critical Elasticities Condition | 429 |
| C.1.1 | The Simple Case | 429 |
| C.1.2 | The General Case | 431 |
| C.1.3 | Effects on the Terms of Trade | 435 |
| C.2 | The Stability of the Foreign Exchange Market | 436 |
| C.3 | A Model for the Simultaneous Determination of the Spot and Forward Exchange Rate | 437 |
| C.4 | References | 439 |
| D | Appendix to Chapter 8 | 441 |
| D.1 | The Multiplier without Foreign Repercussions | 441 |
| D.1.1 | Basic Results | 441 |
| D.1.2 | The Balance of Payments | 443 |
| D.2 | Foreign Repercussions in a n -Country Model | 444 |
| D.2.1 | The General Model | 444 |
| D.2.2 | Stability Analysis | 445 |
| D.2.3 | Comparative Statics. A Comparison between the Var- ious Multipliers | 447 |
| D.2.4 | The Balance of Payments | 449 |
| D.3 | Intermediate Goods and the Multiplier | 450 |
| D.3.1 | Different Requirements of Intermediate Goods | 450 |
| D.3.2 | Identical Requirements of Intermediate Goods | 451 |
| D.4 | The Transfer Problem | 452 |
| D.5 | References | 454 |
| E | Appendix to Chapter 9 | 455 |
| E.1 | A Simplified Version of the Laursen and Metzler Model | 455 |
| E.1.1 | The <i>BB</i> and <i>RR</i> Schedules | 455 |
| E.1.2 | The Dynamics of the System | 456 |
| E.1.3 | Comparative Statics: The Transfer Problem | 457 |
| E.2 | The J-curve | 459 |
| E.3 | The Original Two-Country Version of the Laursen and Metzler Model | 461 |
| E.3.1 | The Basic Model | 461 |

| | | |
|----------|--|------------|
| E.3.2 | Stability | 463 |
| E.3.3 | Comparative Statics | 464 |
| E.3.3.1 | The International Propagation of Disturbances | 464 |
| E.3.3.2 | The Transfer Problem | 467 |
| E.4 | References | 468 |
| F | Appendix to Chapter 10 | 469 |
| F.1 | The Mundell Fleming Model under Fixed Exchange Rates . . . | 469 |
| F.1.1 | The Slopes of the Various Schedules | 469 |
| F.1.2 | The Study of Dynamic Stability | 470 |
| F.1.3 | Comparative Statics | 472 |
| F.1.3.1 | The Transfer Problem | 472 |
| F.1.3.2 | An Exchange-Rate Devaluation | 473 |
| F.2 | The Mundell-Fleming Model under Flexible Exchange Rates . | 474 |
| F.3 | References | 476 |
| G | Appendix to Chapter 11 | 477 |
| G.1 | Monetary and Fiscal Policy Under Fixed Exchange Rates . . . | 477 |
| G.1.1 | The Static Model | 477 |
| G.1.2 | The Assignment Problem | 478 |
| G.1.3 | A Generalization of the Assignment Problem | 480 |
| G.2 | Monetary and Fiscal Policy Under Flexible Exchange Rates . | 481 |
| G.3 | Perfect Capital Mobility | 483 |
| G.4 | References | 484 |
| H | Appendix to Chapter 12 | 485 |
| H.1 | The Classical Theory | 485 |
| H.2 | The Monetary Approach to the Balance of Payments | 486 |
| H.2.1 | The Effects of a Devaluation | 489 |
| H.3 | References | 490 |
| I | Appendix to Chapter 13 | 491 |
| I.1 | Partial-Equilibrium Asset Adjustment | 491 |
| I.2 | Portfolio and Macroeconomic Equilibrium under Fixed Ex- change Rates | 493 |
| I.2.1 | The Dynamics of the Long-Run Equilibrium | 494 |
| I.2.2 | The Stability Conditions | 495 |
| I.3 | Portfolio and Macroeconomic Equilibrium under Flexible Ex- change Rates | 498 |
| I.3.1 | The Basic Model | 498 |
| I.3.2 | Static Expectations | 500 |
| I.3.2.1 | Short-Run Equilibrium | 500 |
| I.3.2.2 | Long-Run Equilibrium | 502 |
| I.3.3 | Rational Expectations | 507 |

| | | |
|----------|--|------------|
| I.4 | References | 508 |
| J | Appendix to Chapter 14 | 509 |
| J.1 | Exports, Growth, and the Balance of Payments | 509 |
| J.2 | Growth-Oriented Adjustment Programs | 511 |
| J.2.1 | The Monetary Model | 511 |
| J.2.2 | The Real Growth Model | 511 |
| J.2.3 | The Integrated Model | 512 |
| J.3 | References | 514 |
| K | Appendix to Chapter 15 | 515 |
| K.1 | PPP and the Harrod-Balassa-Samuelson Effect | 515 |
| K.2 | The Dornbusch Overshooting Model | 516 |
| K.3 | The Modern Approach to Exchange-Rate Determination | 517 |
| K.3.1 | The Monetary Approach | 517 |
| K.3.2 | The Portfolio Approach | 519 |
| K.3.3 | Empirical Studies | 520 |
| K.3.4 | Currency Substitution | 524 |
| K.4 | Chaos Theory and the Exchange Rate | 524 |
| K.5 | References | 528 |
| L | Appendix to Chapter 16 | 531 |
| L.1 | A First-Generation Model | 531 |
| L.2 | A Second-Generation Model | 532 |
| L.3 | References | 533 |
| M | Appendix to Chapter 17 | 535 |
| M.1 | The Shock-Insulating Properties of Fixed and Flexible Exchange Rates | 535 |
| M.2 | The Effects of Various Shocks | 536 |
| M.2.1 | Money Demand Shock | 537 |
| M.2.2 | Aggregate Demand Shock | 538 |
| M.2.3 | Aggregate Supply Shock | 539 |
| M.2.4 | Conclusion | 541 |
| M.3 | The Intertemporal Approach | 541 |
| M.4 | References | 541 |
| N | Appendix to Chapter 18 | 543 |
| N.1 | The Two-period Case | 543 |
| N.2 | An Infinite Horizon Model | 545 |
| N.3 | The RAIOM Approach to the Real Exchange Rate | 547 |
| N.4 | The NATREX Approach | 550 |
| N.4.1 | The SOFC Rule and the Investment Function | 550 |
| N.4.1.1 | The Optimal Feedback Control Rule | 552 |

| | | |
|----------|--|------------|
| N.4.1.2 | The Sub-Optimal Feedback Control (SOFC) Rule | 553 |
| N.4.2 | Analysis of the NATREX Equilibrium | 554 |
| N.4.2.1 | The Medium Run | 554 |
| N.4.2.2 | The Long Run | 555 |
| N.5 | References | 556 |
| O | Appendix to Chapter 19 | 557 |
| O.1 | The Dynamic Optimization Problem | 557 |
| O.2 | The Net Borrower Nation | 560 |
| O.2.1 | Steady-State Stability and Comparative Dynamics | 561 |
| O.3 | Nominal Rigidities | 563 |
| O.3.1 | The Consumption-Based Price Index | 563 |
| O.3.2 | The Composite Nontraded Good, and Its Demand Function | 564 |
| O.3.3 | The Intertemporal Optimization Problem | 567 |
| O.3.3.1 | Steady-State Equilibrium | 570 |
| O.3.3.2 | Short-run Effects of an Unanticipated Money Shock | 570 |
| O.4 | References | 572 |
| P | Appendix to Chapter 20 | 573 |
| P.1 | Fiscal Policy in a Monetary Union | 573 |
| P.2 | Fiscal Coordination | 577 |
| P.3 | References | 578 |
| Q | Appendix to Chapter 23 | 579 |
| Q.1 | The Maximization of a Welfare Function | 579 |
| Q.2 | Intertemporal Maximization and the Normative Theory of Economic Policy | 581 |
| Q.3 | The Composition of International Reserves | 586 |
| Q.4 | A Portfolio Model of the Euro-Market | 587 |
| Q.5 | References | 591 |
| R | Appendix to Chapter 24 | 593 |
| R.1 | International Policy Coordination | 593 |
| R.2 | Target Zones | 595 |
| R.3 | The Tobin Tax | 597 |
| R.3.1 | A Simple Model | 599 |
| R.4 | References | 600 |
| | Index | 601 |