CONTENTS

INTRODUCTION]
ISSUES RELATED TO THE SHORT-RUN VARIABILITY OF EXCHANGE RATES	3
A Simple Analytical Framework	5
Exchange-Rate Risk	7
Monetary Policies and Exchange Rates	10
The Danger of Speculative Excesses	14
The Costs of Exchange-Rate Variability	15
THE ROLE OF EXCHANGE RATES IN ELIMINATING PAYMENTS DISEQUILIBRIA	17
The Protracted Nature of External Imbalances	19
The Vicious-Circle Argument	20
External Constraints on Inflationary Practices	23
ASSESSING EXCHANGE-RATE POLICIES	25
The Case for Intervention	25
The Need for a Case-by-Case Approach to Surveillance	29
REFERENCES	34
APPENDIX: SURVEILLANCE OVER EXCHANGE RATE POLICIES	36