

# William's Update

## Identifying Related Papers

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### Abstract

This document compiles and ranks related literature by relevance to “Productivity and Wedges: Economic Convergence and the Real Exchange Rate” (Devereux, Fujiwara, & Granados, 2025). More literature will follow.

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## 1 Introduction

This document represents William's current work on identifying related literature. More literature will follow soon.

We have also sent a Zotero library invitation to Michael.Devereux@ubc.ca (invited on 2025-07-10 16:56:43), which provides access to the current literature we are reviewing.

Any feedback is appreciated.

## 2 Related Literature (Ranked by Relevance)

### 2.1 High Relevance

#### 2.1.1 Understanding Korea's Long-Run Real Exchange Rate Behavior

**Authors:** Douglas A. Irwin, Maurice Obstfeld

**Date:** August 2024

**Links:** [NBER Working Paper](#)

**Notes:**

- Challenges the Harrod-Balassa-Samuelson hypothesis,
- Decomposes real exchange rate changes into internal and external components.
- Suggests that Korea's policy of intervening to smooth nominal exchange rate fluctuations may be justified

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#### 2.1.2 The Predictive Power of Equilibrium Exchange Rate Models

**Authors:** Michele Ca' Zorzi (European Central Bank), Adam Cap (Bank for International Settlements), Andrej Mijakovic (European University Institute), Michał Rubaszek (Warsaw School of Economics)

**Date:** January 2020

**Links:** [Google Drive](#), [SSRN](#)

**Notes:**

- Evaluates the predictive performance of three equilibrium exchange rate models—PPP, BEER, and MB.
  - Finds that PPP provides the most reliable forecasts.
  - BEER fails to outperform PPP.
  - The MB approach, while theoretically rich, performs the worst in forecasting.
  - Robustness checks confirm that model adjustments do not significantly improve prediction accuracy.
- 

### **2.1.3 Measuring the Balassa-Samuelson Effect: A Guidance Note on the RPROD Database**

**Authors:** Cécile Couharde, Anne-Laure Delatte, Carl Grekou, Valérie Mignon, Florian Morvillier

**Date:** May 2020

**Links:** [Google Drive](#), [ScienceDirect](#)

**Notes:**

- Introduces the RPROD database developed by CEPII to complement the EQCHANGE dataset.
  - Serves as an empirical tool for analyzing the Balassa-Samuelson effect.
- 

### **2.1.4 The Determinants of Real Exchange Rates in Transition Economies**

**Authors:** Dan Meshulam, Peter Sanfey (EBRD)

**Date:** 2019

**Links:** [Google Drive](#)

**Notes:**

- Empirical analysis of real exchange rate drivers in transition economies.
  - Strong support for the Balassa-Samuelson hypothesis.
  - RER aligns with productivity trends more than other variables like capital inflows or government consumption.
- 

### **2.1.5 In Search of Dominant Drivers of the Real Exchange Rate**

**Authors:** Wataru Miyamoto, Thuy Lan Nguyen, Hyunseung Oh

**Date:** May 8, 2025

**Links:** [Google Drive](#)

**Notes:**

- Examines the dominant macroeconomic drivers of real exchange rates and macro aggregates at business cycle frequencies across G7 countries.

- Dominant drivers of the real exchange rate are orthogonal to the main drivers of business cycles.
- 

### 2.1.6 The Story of the Real Exchange Rate

**Authors:** Oleg Itskhoki

**Date:** 2021

**Links:** [Google Drive](#)

**Notes:**

- *Must Read.* Presents a comprehensive general equilibrium framework for real exchange rate (RER) determination.
  - Mechanisms such as home bias, incomplete pass-through, expenditure switching, goods market clearing, imperfect international risk sharing, fiscal constraints, and monetary policy regimes.
  - Discusses issues related to the stationarity and predictability of exchange rates.
- 

## 2.2 Medium to High Relevance

### 2.2.1 Real Exchange Rate Misalignments and Currency Crises in the Former Soviet Union Countries

**Authors:** Viktor Dudzich

**Date:** November 25, 2021

**Links:** [Google Drive](#)

**Notes:**

- Estimates equilibrium exchange rates for 10 former Soviet republics using BEER and NATREX concepts with a pooled mean group estimator.
  - Compares estimated misalignments before, during, and after currency crisis episodes, and examines their relationship to crisis-related variables.
  - Journal is not as highly ranked.
- 

### 2.2.2 What is Needed for Convergence? The Role of Capital and Finance

**Authors:** Bryan Hardy, Can Sever

**Date:** June 13, 2025

**Links:** [Google Drive](#)

**Notes:**

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### 2.2.3 Housing Rent, Inelastic Housing Supply, and International Business Cycles

**Author:** Seungyub Han

**Date:** September 21, 2024

**Links:** [Google Drive](#)

**Notes:**

- Connects to the Balassa-Samuelson effect to housing
- 

## 2.3 Medium Relevance

### 2.3.1 Piecing the Puzzle: Real Exchange Rates and Long-Run Fundamentals

**Authors:** Hilde C. Bjørnland, Leif Brubakk, Nicolò Maffei-Faccioli

**Date:** February 2025

**Links:** [Google Drive](#)

**Notes:**

- Examines the structural determinants of real exchange rates, focusing on persistent low-frequency movements.
- 

### 2.3.2 Temperature and Real Exchange Rates

**Authors:** Yue Gu, Jing Zhang, Xiaohui Liu

**Date:** 11 July 2025

**Links:** [Google Drive](#)

**Notes:**

- Incorporates average temperature into the Balassa-Samuelson model.
  - Examines the impact of temperature differences on real exchange rates (RERs).
- 

### 2.3.3 The Price of Development: The Penn-Balassa-Samuelson Effect Revisited

**Authors:** Fadi Hassan

**Date:** 2016

**Links:** [Google Drive](#)

**Notes:**

- Revisits the Penn effect, showing a non-linear price-income relationship that turns negative for low-income countries.
  - Suggests structural transformation stages as key to explaining RER variation in developing economies.
  - Robust to PPP measurement bias.
  - May be less directly relevant, as its primary focus is on developing countries.
- 

### 2.3.4 Competitiveness and Productivity in the Baltics: Common Shocks, Different Implications

**Authors:** Saioa Armendariz, Carlos de Resende, Alice Fan, Gianluigi Ferrucci, Bingjie Hu, Sadhna Naik, Can Ugur

**Date:** January 17, 2025

**Links:** [Google Drive](#)

**Notes:**

- Although focused on competitiveness, it uses multivariate filtering consistent with Balassa-Samuelson.
  - Relevant Quote: “Multivariate filtering techniques and estimates of the real effective exchange rates based on historical productivity trends, consistent with Balassa-Samuelson, confirm that differences in long-term total factor productivity growth have affected external competitiveness.”
- 

### **2.3.5 The Real Exchange Rate in the Long Run: Balassa-Samuelson Effects Reconsidered**

**Authors:** Michael D. Bordo, Ehsan U. Choudhri, Giorgio Fazio, Ronald MacDonald

**Date:** 2017

**Links:** [DOI](#), [Google Drive](#)

**Notes:**

- Uses historical data to investigate the Balassa-Samuelson effect over the long run.
  - Demonstrates significant variation in productivity effects across different monetary regimes.
- 

### **2.3.6 Real Effective Exchange Rate Misalignment in the Euro Area: A Counterfactual Analysis**

**Authors:** Makram El-Shagi, Axel Lindner, Gregor von Schweinitz

**Date:** November 26, 2015

**Links:** [Google Drive](#)

**Notes:**

- (REER) misalignments within the Euro area using synthetic matching methods.
  - Constructs counterfactuals for member states to quantify the extent of misalignment.
  - Crisis countries align with a mix of advanced and emerging economy profiles.
  - Highly relevant to the literature on Eurozone imbalances.
  - Mid-tier journal.
- 

### **2.3.7 The ‘Real’ Explanation of the PPP Puzzle**

**Authors:** Nicholas Ford, Charles Yuji Horioka

**Date:** April 2016

**Links:** [NBER](#), [Google Drive](#)

**Notes:**

- Argues that global financial markets alone are insufficient to enable net capital transfers and real interest rate equalization across countries.

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## 2.4 Low to Medium Relevance

### 2.4.1 Exchange Rate Models Are Better Than You Think, and Why They Didn't Work in the Old Days

**Authors:** Charles Engel, Steve Pak Yeung Wu

**Date:** 2024

**Links:** [Google Drive](#), [NBER](#)

**Notes:**

- Explores why traditional exchange rate models now better fit U.S. data.
- Argues that inflation-targeting and improved monetary policy reduce self-fulfilling expectations, improving model fit post-2000s.

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### 2.4.2 The Purchasing Power Parity and Exchange-Rate Economics Half a Century On

**Authors:** Hai Long Vo, Duc Hong Vo

**Date:** 2023

**Links:** [Google Drive](#)

**Notes:**

- A survey paper providing historical and theoretical context for exchange-rate economics.
- Not directly relevant but may be useful for broader insight.

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### 2.4.3 The Balassa-Samuelson effect reversed: new evidence from OECD countries

**Authors:** Matthias Gubler & Christoph Sax

**Date:** 27 February 2019

**Links:** [Full Text](#)

**Notes:**

- Reconsiders the Balassa-Samuelson (BS) hypothesis using an OECD country panel from 1970 to 2008.
  - Compares three data sets on sectoral productivity, including newly constructed data on total factor productivity.
  - Within- and between-dimension estimation results do not support the BS hypothesis.
  - Mid-tier journal.
-

## 2.5 Low Relevance

### 2.5.1 Subnational Purchasing Power of Parity in OECD Countries: Estimates Based on the Balassa-Samuelson Hypothesis

**Authors:** Alex Costa, Jaume Garcia, Josep Lluís Raymond, Daniel Sánchez-Serra

**Date:** 2019

**Links:** [Google Drive](#)

**Notes:**

- Examines regional PPP estimation within OECD countries using a method based on the Balassa-Samuelson hypothesis.
  - Methodologically adjacent, but limited applicability to national RER studies.
- 

### 2.5.2 Real Exchange Rate Misalignments in the Euro Area

**Authors:** Michael Fidora, Claire Giordano, Martin Schmitz

**Date:** July 28, 2020

**Links:** [Google Drive](#)

**Notes:**

- Tackles the same topic of real exchange rate misalignments from a Euro Area perspective.
  - While the journal is not highly ranked, the paper offers relevant comparative insights for understanding regional dynamics in real exchange rate adjustments.
- 

### 2.5.3 Is the Balassa-Samuelson Hypothesis Still Relevant? Cross-Country Evidence from 1950–2017

**Authors:** Mohammed Ershad Hussain, Mahfuzul Haque

**Date:** September 28, 2020

**Links:** [Google Drive](#), [DOI](#)

**Notes:**

- 182 countries. Employs Arellano-Bond dynamic panel data estimation.
  - Low ranked journal.
- 

### 2.5.4 Real Exchange Rate Fundamentals: A Synthesis of the Literature

**Authors:** Oluremi Davies Ogun (University of Ibadan)

**Date:** 2019

**Links:** [Google Drive](#), [DOI](#)

**Notes:**

- Synthesis of approaches to modeling equilibrium real exchange rates.
  - Limited reputation.
-



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- Synthesis of approaches to modeling equilibrium real exchange rates.
- Limited reputation.

### **2.5.7 Recent Papers**

**Links:**

- [Disconnect Revisited – Chahrour et al.](#)
  - [Springer Article](#)
  - [AEA Journal Article](#)
  - [Tech Dollars and Exchange Rate Reconnect – UTD](#)
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