

William's Update

Identifying Related Papers

William Clinton Co

July 14, 2025

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.

Table of contents

1	Introduction	1
2	High Relevance	2
2.1	The Determinants of Real Exchange Rates in Transition Economies	2
2.2	The Story of the Real Exchange Rate	2
3	Medium to High Relevance	2
3.1	The Balassa-Samuelson Effect Reversed: New Evidence from OECD Countries . . .	2
4	Medium Relevance	3
4.1	Competitiveness and Productivity in the Baltics: Common Shocks, Different Implications	3
5	Low to Medium Relevance	3
5.1	Exchange Rate Models Are Better Than You Think, and Why They Didn't Work in the Old Days	3
5.2	The Purchasing Power Parity and Exchange-Rate Economics Half a Century On . .	4
6	Low Relevance	4
6.1	Subnational Purchasing Power of Parity in OECD Countries: Estimates Based on the Balassa-Samuelson Hypothesis	4

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 High Relevance

2.1 The Determinants of Real Exchange Rates in Transition Economies

Authors: Dan Meshulam, Peter Sanfey (EBRD)

Date: 2019

Link: [Read Paper](#)

Note: This paper provides empirical evidence on the drivers of real exchange rates in transition economies, including support for the Balassa-Samuelson hypothesis.

2.2 The Story of the Real Exchange Rate

Author: Oleg Itskhoki

Date: 2021

Link: [Read Paper](#)

Note: This review presents a comprehensive framework for understanding the real exchange rate (RER) as a general equilibrium outcome, emphasizing its dependence on home bias, incomplete pass-through, international risk sharing, and monetary policy regimes. It highlights the limitations of partial theories such as PPP and underscores the RER's complex empirical behavior.

3 Medium to High Relevance

3.1 The Balassa-Samuelson Effect Reversed: New Evidence from OECD Countries

Authors: Matthias Gubler, Christoph Sax

Date: 2019

Link: [Read Paper](#)

Note: This paper re-evaluates the Balassa-Samuelson hypothesis using OECD panel data from

1970–2008. It finds a robust negative relationship between productivity in the tradable sector and the real exchange rate post-1985, challenging the traditional Balassa-Samuelson view.

4 Medium Relevance

4.1 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

Link: [Read Paper](#)

Note: Although the paper addresses a different research question, it provides relevance with its use of the Balassa-Samuelson framework.

Relevant Quote

“productivity. 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.”

5 Low to Medium Relevance

5.1 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

Link: https://www.nber.org/system/files/working_papers/w32808/w32808.pdf

Note: Exchange rate model in the context of US dollar and monetary policy.

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

Authors: Hai Long Vo, Duc Hong Vo

Date: 2023

Link: [Read Paper](#)

Note: A survey-style review of exchange rate economics, useful for context but limited in direct empirical relevance.

6 Low Relevance

6.1 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

Link: [Read Paper](#)

Note: Estimates regional PPPs in OECD countries using the Balassa-Samuelson hypothesis. Methodologically relevant, though not directly focused on real exchange rates.