

Are exchange rates excessively volatile? and what does excessively volatile mean, anyway?

International Monetary Fund - Excess volatility of exchange rates with unobservable fundamentals

A Basket Currency for the EAC: Possible Advantages and Issues

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I. Introduction

Creating a monetary union for the East African Community requires extensive institutional preparation as well as overcoming strong regional scepticism. The experience from past currency unions in Africa provides important insights into the required fiscal actions and debt. Despite a long period of institution building and many resources invested in preparing the monetary union, there has been little progress in moving towards a regional currency in existence. Given that the EAC is at a much earlier stage in regional integration than was the European Monetary Union, it is important to understand the challenges involved in creating a full-fledged currency union that was effective in creating a zone of monetary stability.

Given the long lead time, there may be some interest in creating a regional currency that would circulate alongside national currencies while providing some of the benefits of a common currency to the member countries. This paper explores the possibility of introducing a basket of notes and coins, whose value would be defined in terms of a basket of the five EAC currencies. Introducing such a regional currency could facilitate the process to monetary union, as it could be a monetary policy instrument that would be used to manage the transition to a single currency. It could serve as a means of payment for cross border trade and payments, would facilitate the public and private sectors to manage their foreign exchange risk, and would help to stabilize monetary policies.

In the second section, the rationale for introducing the currency and the regional economy is first described, its potential advantages are discussed, followed by a section considering some of the pitfalls of introducing a common currency in this fashion. A final section suggests how to move forward with such a scheme.

II. The mechanics of its introduction

An independent institution would be responsible for managing the currency and the regional economy. The institution would have responsibility for monetary policy, and a single currency that circulates freely within the zone. Since all countries would borrow in that currency, countries holding excessive debts would impact the monetary

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Description: -

-Are exchange rates excessively volatile? and what does excessively volatile mean, anyway?

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Notes: Includes bibliographical references.

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Are Exchange Rates Excessively Volatile? and What Does Mean, Anyway?

Most estimates of the income elasticity of money demand, \hat{I}^2 , range from about 0. A superscript A indicates that inequality 16A is violated, while a superscript B indicates that inequality 16B is violated.

May the Euro Increase Exchange Rate Volatility?

When the purchasing company converts its own currency into the foreign currency to acquire the amount specified in the contract, it will have to spend more of its money to do so. Not surprisingly, several authors have expressed a perception of futility when reviewing the inconclusive state of research on exchange rate volatility see, for instance, , pp. A superscript A indicates that inequality 16A is violated, while a superscript B indicates that inequality 16B is violated.

What Is Exchange Rate Volatility? (with pictures)

While we have made no attempt to resolve this ambiguity, we have showed that based on certain odd, in our view definitions of exchange rate volatility, claims that major exchange rates may have been too volatile over the post-Bretton Woods period may be formally justified. Palgrave Macmillan is a global academic publisher, serving learning and scholarship in higher education and the professional world.

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Useful Words : : a position on a scale of intensity or amount or quality. Download Now How this page explains Excessively? These are intuitive results: as \hat{I}^{\pm} falls, the discount rate implicit in the model rises, so that the weights attached by the test to events in the near future rise.

Are Exchange Rates Excessively Volatile? and What Does Mean, Anyway? in: IMF Working Papers Volume 1995 Issue 085 (1995)

And What Does Excessively Volatile Mean Anyway? The number of observations in the four samples is 255, 255, 128, and 126, respectively. If recognized a bibliographic reference but did not link an item in RePEc to it, you can help with.

Are Exchange Rates Excessively Volatile? and What Does Mean, Anyway?

When exchange rates are floating exchange rates, as opposed to fixed exchange rates, they are likely to go up and down in value depending upon the strength of the economies involved.

May the Euro Increase Exchange Rate Volatility?

The sample goes from April 1973 to September 1994 unless mentioned. This a Working Paper and the author s would welcome any comments on the present text.

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