

ECN 160B – Ch. 4

STUDY GUIDE

OBJECTIVES

build a comprehensive model of exchange rate (ER) determination by combining the asset approach, based on UIP in Ch.2, and monetary approach in Ch. 3; study the effect of temporary and permanent shocks to the economy in the short run and long run; analyze the difference between floating and fixed ER regime including the Trilemma.

ACTIVITY TASKS

- ☐ ER and i in the SR: UIP and
Forex Market Equilibrium
- ☐ i in the SR: Money Market
Equilibrium
- ☐ The Asset Approach
Application: The Rise and Fall of
the USD
- ☐ A Complete Theory: The
Monetary and Asset Approach
- ☐ Complete Theory: Floating
ER and Fixed ER
- ☐ Overshooting
- ☐ The Trilemma

TOOLS:

- Forex Market
- Money Market
- Temporary vs Permanent Shock
- Money Market AND Forex Market
- A Complete Theory of Floating ER
- A Complete Theory of Fixed ER
- The Trilemma and the UIP