



All Content

Images

Search journals, books, images, and

Search

Browse

[About](#) [Support](#)

Tools

JOURNAL ARTICLE

The Economics of Exchange Rates

Mark P. Taylor

Journal of Economic Literature

Vol. 33, No. 1 (Mar., 1995), pp. 13-47 (35 pages)

Published By: American Economic Association



<https://www.jstor.org/stable/2728909>

[Cite](#)

This is a preview. [Log in to get access](#)

[Cookies Settings](#)

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing "Cookie Settings". For more information, please see our [Cookie Policy](#).

Accept Cookies

The Economics of Exchange Rates

By MARK P. TAYLOR

University of Liverpool
and

Centre for Economic Policy Research, London

I am grateful to three anonymous referees for constructive comments on a previous draft. I am also indebted to the large number of people who provided helpful and often detailed comments on earlier versions of the paper, including Andrew Atkeson, Leonardo Bartolini, Tamim Bayoumi, Giuseppe Bertola, Stanley Black, William Branson, Guillermo Calvo, Michael Dooley, Hali Edison, Robert Flood, Jeffrey Frankel, Jacob Frenkel, Kenneth Froot, Peter Garber, Robert Hodrick, Peter Isard, Peter Kenen, Ronald MacDonald, Bennett McCallum, Marcus Miller, Maurice Obstfeld, Lawrence Officer, David Papell, Kenneth Rogoff, Nouriel Roubini, Alan Stockman, Lars Svensson, Myles Wallace, and John Williamson. Responsibility for any remaining errors of omission or interpretation remains with the author. This paper was written largely while the author was on the Staff of the Research Department of the International Monetary Fund, Washington D.C., although the views represented in the paper are solely those of the author and are not necessarily those of the International Monetary Fund or of its member authorities.

I. Introduction

This paper reviews the literature on exchange rate economics over the last two decades, with particular reference to recent developments. Exchange rate economics has been one of the most active—if challenging—areas of economic research over the last twenty years, and

particular, we discuss the evidence on foreign exchange market efficiency (Section II), the theory and evidence relating to the determination of exchange rates (Sections III and IV respectively), recent work on the effectiveness of foreign exchange intervention (Section V), and the recent literature on exchange rate behavior within target zones (Section VI). The

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing “Cookie Settings”. For more information, please see our [Cookie Policy](#).

[Cookies Settings](#)

[Accept Cookies](#)

Journal Information

The Journal of Economic Literature (JEL), first published in 1969, is designed to help economists keep abreast of the vast flow of literature. JEL issues contain commissioned, peer-reviewed survey and review articles, book reviews, an annotated bibliography of new books classified by subject matter, and an annua...

Publisher Information

Once composed primarily of college and university professors in economics, the American Economic Association (AEA) now attracts 20,000+ members from academe, business, government, and consulting groups within diverse disciplines from multi-cultural backgrounds. All are professionals or graduate-level...

Rights & Usage

This item is part of a [JSTOR Collection](#).

For terms and use, please refer to our [Terms and Conditions](#).

Journal of Economic Literature © 1995 [American Economic Association](#)

[Request Permissions](#)

Explore JSTOR

By Subject

Get Access

By Title

Get Support

Collections

LibGuides

Publisher

Research Basics

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing "Cookie Settings". For more information, please see our [Cookie Policy](#).

[Cookies Settings](#)

Accept Cookies

[For Librarians](#)[For Publishers](#)

JSTOR is part of [ITHAKA](#), a not-for-profit organization helping the academic community use digital technologies to preserve the scholarly record and to advance research and teaching in sustainable ways.

©2000–2022 ITHAKA. All Rights Reserved. JSTOR®, the JSTOR logo, JPASS®, Artstor®, Reveal Digital™ and ITHAKA® are registered trademarks of ITHAKA.

[Terms & Conditions of Use](#)[Privacy Policy](#) [Accessibility](#)[Cookie Policy](#) [Cookie Settings](#)

ITHAKA websites, which ITHAKA manages from its location in the United States, use cookies for different purposes, such as to ensure web site function, display non-targeted ads, provide social media features, and track usage, engaging with third party service providers such as Google Analytics. Some cookies are essential and always active and you may allow others, such as the Google Analytics cookies, as may be needed to use certain functions on the website, by accepting all or managing “Cookie Settings”. For more information, please see our [Cookie Policy](#).

[Cookies Settings](#)[Accept Cookies](#)