

[Working Papers](#)

Trade and Financial Interdependence Under Flexible Exchange Rates: The Pacific Area

Jorge Braga de Macedo

SHARE



WORKING PAPER 1517

DOI 10.3386/w1517

ISSUE DATE December 1984

This paper analyses policy interdependence under flexible exchange rates and its implications for middle-income countries in the Pacific area. In the first part of the paper, the consequences of strategic behavior among industrial countries are illustrated by means of a simple diagram. It is argued that in the absence of incentives to coordinate macroeconomic policies among major countries, exchange rates will tend to be volatile. Evidence on the world value of the dollar in the flexible rate period is then presented and interpreted. The second part describes exchange rate policies in the Pacific area. It is found that the widespread policy of pegging to the U.S. dollar has implied occasional large devaluations against the numeraire (Korea, Taiwan, Thailand, Philippines and Indonesia). An alternative, which requires higher Pacific trade and financial interdependence than the one prevailing during the last decade, would be a joint float along the lines of the policies seemingly pursued by Malaysia and Singapore. The two-country macroeconomic model presented in the Appendix can be used to assess the costs and benefits of policy coordination both at the world and at the regional level.

Download a PDF

[Information on access](#)

Acknowledgements and Disclosures



Citation and Citation Data



Published Versions

de Macedo, Jorge Braga. "Trade and Financial Interdependence Under Flexible Exchange rates: The Pacific Area." Pacific Growth and Financial Interdependence, edited by Augustine H. H. Tan and Basant Kapur, pp. 277-291. Sydney, Australia: Allen Unwin Australia Pty Ltd, 1986.

Related

TOPICS

International Economics

PROGRAMS

International Trade and Investment
International Finance and Macroeconomics

More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025
The Fiscal Future

N. Gregory Mankiw, Harvard University and NBER
July 10, 2025

2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"

FELDSTEIN LECTURE

PRESENTER: [N. GREGORY MANKIW](#)

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025
**Uncovering Causal Mechanisms:
Mediation Analysis and
Surrogate Indices**

Raj Chetty, Harvard University and NBER
Kosuke Imai, Harvard University
July 24, 2025

**2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms:
Mediation Analysis and Surrogate Indices"**

METHODS LECTURES

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediationImai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs...



International Trade and Macroeconomics, Summer Institute 2025

Panel on The Future of the Global Economy

Oleg Itskhoki, Harvard University and NBER
Paul Krugman, City University of New York and NBER
Linda Tesar, University of Michigan and NBER
July 8, 2025

2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue
Cambridge, MA 02138
617-868-3900
info@nber.org
webaccessibility@nber.org

HOME PAGE

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW

