



75 Views | 0 CrossRef citations to date | 0 Altmetric

Original Article

# Interest parity, purchasing power parity, "risk premia," and Post Keynesian economic analysis

John Smithin

Pages 219-235 | Published online: 23 Dec 2014

Cite this article

Sample our  
Economics, Finance,  
Business & Industry Journals  
>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

Citations

Metrics

Reprints & Permissions

Read this article

Share

## Abstract

This paper explores the implications for open economy macroeconomic analysis of the "cambist" approach to the forward exchanges, put forward by Lavoie (2000) and others. It argues that logically the counterpart to the rejection of any domestic natural rate of interest must also be the rejection of the idea that the real exchange rate is primarily determined by nonmonetary factors such as the supposedly immutable barter terms of trade. The real exchange rate is an endogenous monetary variable and is therefore subject in principle to manipulation by public policy. Much depends on the nature and determinants of the currency risk premium, in an environment in which separate monetary systems in different economies continue to exist, and which is characterized by *imperfect asset substitutability*, whether or not there is also *perfect capital mobility*.

Keywords:

CURRENCY RISK

IMPERFECT ASSET SUBSTITUTABILITY

INTEREST PARITY

PURCHASING POWER PARITY

REAL EXCHANGE RATES

# Related research

People also read

Recommended articles

Cited by

## Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

## Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

## Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

## Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2025 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)



Taylor & Francis Group  
an informa business

Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG