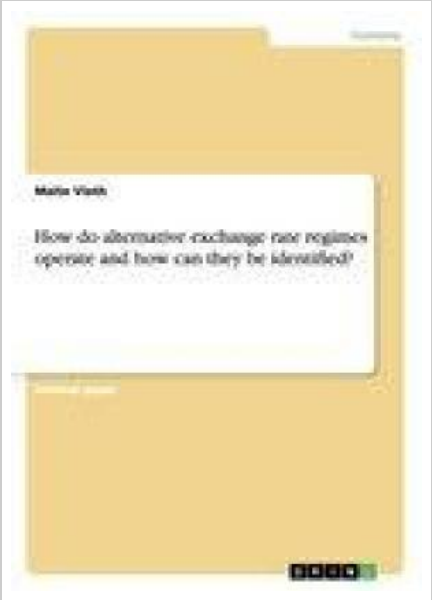

How do alternative exchange rate regimes operate and how can they be identified?

By Malte Vieth

GRIN Verlag Apr 2014, 2014. Taschenbuch. Book Condition: Neu. 210x148x2 mm. This item is printed on demand - Print on Demand Neuware - Seminar paper from the year 2013 in the subject Economics - Foreign Trade Theory, Trade Policy, grade: 1,7, Johannes Gutenberg University Mainz, course: Seminar International Economic Policy, language: English, abstract: The choice of the exchange rate regime is essentially for a country. According to the impossible trinity principle a country desires a fixed exchange rate, an autonomous monetary policy and full capital mobility simultaneously. Unfortunately only two features at the same time can be realized. A fixed exchange rate has two major benefits compared to a floating exchange rate. If stable it makes the trade of goods and assets between countries easier and less costly. Additionally a fixed exchange rate may improve monetary policy discipline as expansionary monetary policy is less available to maintain a fixed exchange rate. This may lead to a lower inflation rate in the long run. But the major disadvantage is that a fixed exchange rate regime removes the possibility to use monetary policy in a flexible way to deal with recessions (Abel, Bernanke and Croushore, 2011). Therefore many countries choose an exchange...

Reviews

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