Benninga Financial Modelling 2ndedition Uminho

This paper examines the importance of credit market shocks in driving global business cycles over the period 1988:1-2009:4. We first estimate common components in various macroeconomic and financial variables of the G-7 countries. We then evaluate the role played by credit market shocks using a series of VAR models. Our findings suggest that these shocks have been influential in driving global activity during the latest global recession. Credit shocks originating in the United States also have a significant impact on the evolution of world growth during global recessions.

An analysis of the operation and consequences of exchange rate regimes in an era of increasing international interdependence. The exchange rate is sometimes called the most important price in a highly globalized world. A country's choice of its exchange rate regime, between government-managed fixed rates and market-determined floating rates has significant implications for monetary policy, trade, and macroeconomic outcomes, and is the subject of both academic and policy debate. In this book, two leading economists examine the operation and consequences of exchange rate regimes in an era of increasing international interdependence. Michael Klein and Jay Shambaugh focus on the evolution of exchange rate regimes in the modern era, the period since 1973, which followed the Bretton Woods era of 1945–72 and the pre-World War I gold standard era. Klein and Shambaugh offer a comprehensive, integrated treatment of the characteristics of exchange rate regimes and their effects. The book draws on and synthesizes data from the recent wave of empirical research on this topic, and includes new findings that challenge preconceived notions.

This paper analyzes the behavior of gross capital inflows across 34 emerging markets (EMs). We first confirm that aggregate inflows to EMs co-move considerably. We then report three findings: (i) the aggregate co-movement conceals significant heterogeneity across asset types as only bank-related and portfolio bond and equity inflows do co-move; (ii) while global push factors in advanced economies mostly explain the common dynamics, their relative importance varies by type of flow; and (iii) the sensitivity to common dynamics varies significantly across borrower countries, with market structure characteristics (especially the composition of the foreign investor base and the level of liquidity) rather than borrower country's institutional fundamentals strongly affecting sensitivities. Countries relying more on international funds and global banks are found to be more sensitive to push factors. Our findings suggest that EMs need to closely monitor their lenders and investors to assess their inflow exposures to global push factors.

This is a major new reference work covering all aspects of finance. Coverage includes finance (financial management, security analysis, portfolio management, financial markets and instruments, insurance, real estate, options and futures, international finance) and statistical applications in finance (applications in portfolio analysis, option pricing models and financial research). The project is designed to attract both an academic and professional market. It also has an international approach to ensure its maximum appeal. The Editors' wish is that the readers will find the encyclopedia to be an invaluable resource.

This paper analyzes the interactions between business and financial cycles using an extensive database of over 200 business and 700 financial cycles in 44 countries for the period 1960:1-2007:4. Our results suggest that there are strong linkages between different phases of business and financial cycles. In particular, recessions associated with financial disruption episodes, notably house price busts, tend to be longer and deeper than other recessions. Conversely, recoveries associated with rapid growth in credit and house prices tend to be stronger. These findings emphasize the importance of developments in credit and housing markets for the real economy.

This volume examines Popper’s philosophy by analyzing the criticism of his most popular critics: Thomas Kuhn, Paul Feyerabend and Imre Lakatos. They all followed his rejection of the traditional view of science as inductive. Starting from the assumption that Hume’s criticism of induction is valid, the book explores the central criticism and objections that these three critics have raised. Their objections have met with great success, are significant and deserve paraphrase. One also may consider them reasonable protests against Popper’s high standards rather than fundamental criticisms of his philosophy. The book starts out with a preliminary discussion of some central background material and essentials of Popper’s philosophy. It ends with nutshell representations of the philosophies of Popper. Kuhn, Feyerabend and Lakatos. The middle section of the book presents the connection between these philosophers and explains what their central ideas consists of, what the critical arguments are, how they presented them, and how valid they are. In the process, the author claims that Popper's popular critics used against him arguments that he had invented (and answered) without saying so. They differ from him mainly in that they demanded of all criticism that it should be constructive: do not stop believing a refuted theory unless there is a better alternative to it. Popper hardly ever discussed belief, delegating its study to psychology proper; he usually discussed only objective knowledge, knowledge that is public and thus open to public scrutiny.

Portfolio insurance has become a craze among institutional investors: over the past ten years, the value of assets managed under this strategy has grown from zero to more than -50 billion. This guide offers complete coverage and practical advice on every aspect of the subject. It clearly defines the characteristics of portfolio insurance, providing background on its history and the theory of hedging, going on to describe how to implement a hedging strategy, how to fit portfolio insurance into long-term financial planning, using index and financial futures and options in hedging, and techniques for measuring performance. Also included is a discussion of how portfolio insurance operates in the international arena.

International financial integration has greatly increased the scope for changes in a country's net foreign asset position through the valuation channel, namely capital gains and losses on external assets and liabilities. We examine this valuation channel in a dynamic equilibrium portfolio model with international trade in equity. By separating asset prices and quantities, we can characterize the first-order dynamics of valuation effects and the current account in macroeconomic dynamics. Specifically, we disentangle the roles of excess returns, capital gains, and portfolio adjustment for consumption risk sharing when financial markets are incomplete.

This book presents the latest findings and ongoing research in connection with green information systems and green information & communication technology (ICT). It provides valuable insights into a broad range of cross-cutting concerns in ICT and the environmental sciences, and showcases how ICT can be used to effectively address environmental and energy efficiency issues. Offering a selection of extended contributions to the 31st International Conference EnviroInfo 2017, it is essential reading for anyone looking to expand their expertise in the area.

This volume, presenting some of the finest new research on exchange rates and international macroeconomics, contains papers and critical commentary by thirty-two leading economists. Taken together, these papers provide sound evidence about the effects of real and monetary factors on exchange rates and extend the analyses of exchange rates and international macroeconomics by outlining the kinds of behavior and institutional arrangements that can be incorporated into such analyses. Both empirical and theoretical research are represented, and the contributors analyze such issues as the performance of various models of exchange rate determination, the role of risk and speculation in the forward market for foreign exchange, the rational expectations hypothesis in such markets, the performance of monetary policy in ten industrial countries, the role that labor market contracts play in exchange rate policies, the effect of he oil shocks on the evolution of exchange rates, and the output cost of bringing down inflation in the open economy.

The book deals with the geotechnical analysis and design of foundation systems for high-rise buildings and other complex structures with a distinctive soil-structure interaction. The basics of the analysis of stability and serviceability, necessary soil investigations, important technical regulations and quality and safety assurance are

explained and possibilities for optimised foundation systems are given. Additionally, special aspects of foundation systems such as geothermal activated foundation systems and the reuse of existing foundations are described and illustrated by examples from engineering practice.
The effect of bank capital on lending is a critical determinant of the linkage between financial conditions and real activity, and has received especial attention in the recent financial crisis. The authors use panel-regression techniques to study the lending of large bank holding companies (BHCs) and find small effects of capital on lending. They then consider the effect of capital ratios on lending using a variant of Lown and Morgan's VAR model, and again find modest effects of bank capital ratio changes on lending. The authors¿ estimated models are then used to understand recent developments in bank lending and, in particular, to consider the role of TARP-related capital injections in affecting these developments. Illus. A print on demand pub.
This book is a study of the scientific revolution as a movement of amateur science. It describes the ideology of the amateur scientific societies as the philosophy of the Enlightenment Movement and their social structure and the way they made modern science such a magnificent institution. It also shows what was missing in the scientific organization of science and why it gave way to professional science in stages. In particular the book studies the contributions of Sir Francis Bacon and of the Hon. Robert Boyle to the rise of modern science. The philosophy of induction is notoriously

problematic, yet its great asset is that it expressed the view of the Enlightenment Movement about science. This explains the ambivalence that we still exhibit towards Sir Francis Bacon whose radicalism and vision of pure and applied science still a major aspect of the fabric of society. Finally, the book discusses Boyle’s philosophy, his agreement with and dissent from Bacon and the way he single-handedly trained a crowd of poorly educated English aristocrats and rendered them into an army of able amateur researchers.

Too often, finance courses stop short of making a connection between textbook finance and the problems of real-world business. "Financial Modeling" bridges this gap between theory and practice by providing a nuts-and-bolts guide to solving common financial problems with spreadsheets. The CD-ROM contains Excel* worksheets and solutions to end-of-chapter exercises. 634 illustrations.

Nigerian Political Leaders is a collection of comprehensive and well-researched essays on selected political leaders, both civilian and military written by notable scholars. While many leaders have ruled Nigeria since 1960, not all have made significant contributions to good governance and nation building. Because of leadership challenges, the search for sustainable democracy and political stability has been quite elusive. These problems have been compounded by the vastness of the country as well as its multi-ethnic com-position, religious divide, and the recurrent intervention of the military in politics. Thus, the result has been an unending difficulty in establishing a workable political schema for an enduring unity. Given the series of political and religious disturbances, civil war, economic meltdown, plundering of national resources, and frequent change of government, are Nigerians as a people simply ungovernable or is poor governance the result of the failure of leadership? These are some of the questions that this book addresses. Under the weight of a combination of forces, many of the older paradigms of learning are being questioned in our time. Among the updated research that elicits such critique is that which deals directly with effective pedagogy, clearly illustrating the enhanced effects on learning when it is dealt with as a holistic developmental enterprise rather than one concerned solely with content, technique and measurable outcomes. This research includes volumes of empirical evidence and conceptual analysis from across the globe that point to the inextricability of values as lying at the heart of those forms of good practice pedagogy that support and facilitate the species of student achievement that truly does transform the life chances of students. This research indicates that the combination of values rich learning environments and values discourse (that is, the holism of implicit and explicit pedagogy) has potential for positive influence on learning outcomes, most markedly for those deemed likely to fail without such pedagogical intervention. Values Pedagogy and Student Achievement - Contemporary Research Evidence uncovers, explores and appraises those volumes of evidence and analysis, illustrating their pertinence to student achievement, the vexed issue that lies at the heart of all for which education stands.

This volume aims to analyze validated intervention programs focused on: the teaching and learning of writing as a skill and the use of writing as a learning activity in various school subjects/skills.

Deals with corporate finance and portfolio problems

Financial ModelingMIT Press

Foundations of International Macroeconomics is an innovative text that offers the first integrative modern treatment of the core issues in open economy macroeconomics and finance. With its clear and accessible style, it is suitable for first-year graduate macroeconomics courses as well as graduate courses in international macroeconomics and finance. Each chapter incorporates an extensive and eclectic array of empirical evidence. For the beginning student, these examples provide motivation and aid in understanding the practical value of the economic models developed. For advanced researchers, they highlight key insights and conundrums in the field. Topic coverage includes intertemporal consumption and investment theory, government spending and budget deficits, finance theory and asset pricing, the implications of (and problems inherent in) international capital market integration, growth, inflation and seignorage, policy credibility, real and nominal exchange rate determination, and many interesting special topics such as speculative attacks, target exchange rate zones, and parallels between immigration and capital mobility. Most main results are derived both for the small country and world economy cases. The first seven chapters cover models of the real economy, while the final three chapters incorporate the economy's monetary side, including an innovative approach to bridging the usual chasm between real and monetary models.

In this paper we first compare house price cycles in advanced and emerging economies using a new quarterly house price data set covering the period 1990-2012. We find that house prices in emerging economies grow faster, are more volatile, less persistent and less synchronized across countries than in advanced economies. We also find that they correlate with capital flows more closely than in advanced economies. We then condition the analysis on an exogenous change to a particular component of capital flows. We find that a global liquidity shock, identified by aggregating bank-to-bank cross border flows and by using the external instrumental variable approach of Stock and Watson (2012) and Mertens and Ravn (2013), has a much stronger impact on house prices and consumption in emerging markets than in advanced economies. In our empirical model, holding house prices or the exchange rate constant in response to this shock tends to dampen its effects on consumption in emerging economies.

Prominent economists reconsider the fundamentals of economic policy for a post-crisis world. In 2011, the International Monetary Fund invited prominent economists and economic policymakers to consider the brave new world of the post-crisis global economy. The result is a book that captures the state of macroeconomic thinking at a transformational moment. The crisis and the weak recovery that has followed raise fundamental questions concerning macroeconomics and economic policy. These top economists discuss future directions for monetary policy, fiscal policy, financial regulation, capital-account management, growth strategies, the international monetary system, and the economic models that should underpin thinking about critical policy choices. Contributors Olivier Blanchard, Ricardo Caballero, Charles Collyns, Arminio Fraga, Már Guðmundsson, Sri Mulyani Indrawati, Otmar Issing, Olivier Jeanne, Rakesh Mohan, Maurice Obstfeld, José Antonio Ocampo, Guillermo Ortiz, Y. V. Reddy, Dani Rodrik, David Romer, Paul Romer, Andrew Sheng, Hyun Song Shin, Parthasarathi Shome, Robert Solow, Michael Spence, Joseph Stiglitz, Adair Turner

Until now, thinking on open economy macroeconomics has been largely schizophrenic. When it comes to analyzing exchange rate dynamics, an empirically-minded economist abandons modern current account models which, while theoretically coherent, fail to address the awkward reality of sticky nominal prices. In this paper we develop an analytically tractable two-country model that marries a full account of dynamics to a supply framework based on monopolistic competition and sticky prices. It offers simple and intuitive predictions about exchange rates and current accounts that sometimes differ sharply from those of either modern flexible-price intertemporal models, or traditional sticky-price Keynesian models. The model also leads to a novel perspective on the international welfare spillovers of monetary and fiscal policies.

The recent financial crisis and the difficulty of using mainstream macroeconomic models to accurately monitor and assess systemic risk have stimulated new analyses of how we measure economic activity and the development of more sophisticated models in which the financial sector plays a greater role. Markus Brunnermeier and Arvind Krishnamurthy have assembled contributions from leading academic researchers, central bankers, and other financial-market experts to explore the possibilities for advancing macroeconomic modeling in order to achieve more accurate economic measurement. Essays in this volume focus on the development of models capable of highlighting the vulnerabilities that leave the economy susceptible to adverse feedback loops and liquidity spirals. While these types of vulnerabilities have often been identified, they have not been consistently measured. In a financial world of increasing complexity and uncertainty, this volume is an invaluable resource for policymakers working to improve current measurement systems and for academics concerned with conceptualizing effective measurement.

This book aims to familiarize readers in a very simple and easy manner the rules and proper procedures of rational debate. It will help reduce the frustration that many experience when engaging in debates. The proper conduct of debate is both fun and mentally stimulating, and we trust that implementing the rules of debate outlined in this book will help you and your friends increase your ability to learn, improve and engage in rational and intellectual debates.

Although 40 million people lived in West Africa with 4% in cities in 1930, in 1990 there were about 190 million with 40% being in cities. Projected figures for 2020 indicate that 63% of the estimated population of 430 million will be found in urban cities. Nigeria is not exempted from this scenario. Providing food and fiber for the population will be a burden to all. This publication contains selected refereed research papers from the Alexander Von Humboldt international conference held in Nigeria in December, 2010. The research papers cover several disciplines from the sciences, social sciences, and humanities to policy studies. The first chapter contained the paper on urban governance. It dealt with urban resources and their environment to problems with Nigeria cities and prescribed the way forward. The paper that followed was on the role of primary agriculture in processing and nutrition in urban food security. It looked at the historical antecedents of urbanization and the strategies for improved food and nutrition security in urban cities. About four papers examined the issues surrounding climate change and building green productive cities. Case studies were presented and their implications were analyzed. There were other papers on urban waste management in different parts of Nigeria. The challenges of thermal discomfort and heat stress were highlighted with implication for building design. There were research reports on urban health complications in cities which gave comprehensive analysis of the magnitude of such burden if associated constraints were not tackled. There were other papers dealing with environmental hazards which drew attention to the environmental sanitation level and the nature or water and food hygiene. Finally there was a paper that examined the issues surrounding desertification and lessons to be learnt from experiences of Israel, Turkey and Egypt.

A new approach for introducing unemployment into the New Keynesian framework. The past fifteen years have witnessed the rise of the New Keynesian model as a framework of reference for the analysis of fluctuations and stabilization policies. That framework, which combines the rigor and internal consistency of dynamic general equilibrium models with such typically Keynesian assumptions as monopolistic competition and nominal rigidities, makes possible a meaningful, welfare-based analysis of the effects of monetary policy rules. But the conspicuous absence of unemployment from the standard New Keynesian model has given rise to both criticism and attempts to rectify this anomaly. In this book, Jordi Galí, one of the major contributors to the New Keynesian literature, offers a new approach to introducing unemployment into that framework. Galí's approach involves a reinterpretation of the labor market in the standard New Keynesian model with staggered wage setting (rather than a modification or extension of the model, as has been proposed by others). The resulting framework preserves the convenience of the representative household paradigm and allows one to determine the equilibrium levels of employment, the labor force, and hence the unemployment rate conditional on the monetary policy in place. Galí develops the basic model, embedding it in a standard New Keynesian framework with staggered price and wage setting; revisits the relationship between economic fluctuations and efficiency through the lens of the new model, developing a measure of the output gap; and analyzes the relation between unemployment and the design of monetary policy.

This festschrift in honor of Professor Ayodeji Olukoju, one of Nigeria's brightest historians, brings together scholarship representative of the third wave of historical scholarship on Nigeria. Olukoju, a pioneering historian of Nigerian maritime history, also produced significant revisionist scholarship in the areas of economic, urban, and infrastructure history. The contributions in this volume epitomize the groundbreaking directions of his career; they are marked by a search for new explanations and venture into uncharted terrain in Nigerian history. Aside from its critical engagement of Olukoju's impressive scholarship, this volume presents chapters on such underresearched aspects of Nigerian history as sexuality, children and youth, crime, memory, and HIV/AIDS. It offers historical explanations of a host of development challenges confronting Nigeria, Africa’s most populous country, and resilient reinterpretations of the place of history in nation building. The contributors, pioneering experts in their various subfields, bring their research and teaching experience to the fore and deploy neglected data as they unfold topics that shed light on Nigeria, its peoples, and cultures. They show that history, both as a daily practice and as an academic endeavor, remains vital as Africans seek solutions to the continent’s critical development challenges.

Top economists consider how to conduct policy in a world where previous beliefs have been shattered by the recent financial and economic crises. Since 2008, economic policymakers and researchers have occupied a brave new economic world. Previous consensuses have been upended, former assumptions have been cast into doubt, and new approaches have yet to stand the test of time. Policymakers have been forced to improvise and researchers to rethink basic theory. George Akerlof, Nobel Laureate and one of this volume's editors, compares the crisis to a cat stuck in a tree, afraid to move. In April 2013, the International Monetary Fund brought together leading economists and economic policymakers to discuss the slowly emerging contours of the macroeconomic future. This book offers their combined insights. The editors and contributors—who include the Nobel Laureate and bestselling author Joseph

Stiglitz, Federal Reserve Vice Chair Janet Yellen, and the former Governor of the Bank of Israel Stanley Fischer—consider the lessons learned from the crisis and its aftermath. They discuss, among other things, post-crisis questions about the traditional policy focus on inflation; macroprudential tools (which focus on the stability of the entire financial system rather than of individual firms) and their effectiveness; fiscal stimulus, public debt, and fiscal consolidation; and exchange rate arrangements.

The recent financial crisis has shown how interconnected the financial world has become. Shocks in one location or asset class can have a sizable impact on the stability of institutions and markets around the world. But systemic risk analysis is severely hampered by the lack of consistent data that capture the international dimensions of finance. While currently available data can be used more effectively, supervisors and other agencies need more and better data to construct even rudimentary measures of risks in the international financial system. Similarly, market participants need better information on aggregate positions and linkages to appropriately monitor and price risks. Ongoing initiatives that will help in closing data gaps include the G20 Data Gaps Initiative, which recommends the collection of consistent bank-level data for joint analyses and enhancements to existing sets of aggregate statistics, and the enhancement

to the BIS international banking statistics.
The literature on leverage until now shows how an increase in volatility reduces leverage. However, in order to explain pro-cyclical leverage it assumes that bad news increases volatility. This paper suggests a reason why bad news is more often than not associated with higher future volatility. We show that, in a model with endogenous leverage and heterogeneous beliefs, agents have the incentive to invest mostly in technologies that become volatile in bad times. Together with the old literature this explains pro-cyclical leverage. The result also gives rationale to the pattern of volatility smiles observed in the stock options since 1987. Finally, the paper presents for the first time a dynamic model in which an asset is endogenously traded simultaneously at different margin requirements in equilibrium.
The Great Financial Crisis of 2007-09 confirmed the vital importance of advancing our understanding of macrofinancial linkages, the two-way interactions between the real economy and the financial sector. The crisis was a bitter reminder of how sharp fluctuations in asset prices, credit and capital flows can have dramatic impact on the financial positions of households, corporations and sovereign nations. As fluctuations were amplified, the global financial system was brought to the brink of collapse and the deepest contraction in world output in

more than half a century followed. Moreover, unprecedented challenges for fiscal, monetary and financial regulatory policies resulted.The crisis revived an old debate in the economics profession about the importance of macrofinancial linkages. Some argue that the crisis was a painful reminder of our limited knowledge of these linkages. Others claim that the profession had already made substantial progress in understanding them but that there was too much emphasis on narrow approaches and modelling choices. Yet, most also recognise that the absence of a unifying framework to study these two-way interactions has limited the practical applications of existing knowledge and impeded the formulation of policies.With these observations in mind, this paper presents a systematic review of the rapidly expanding literature on macrofinancial linkages. It first surveys the literature on the linkages between asset prices and macroeconomic outcomes. It then reviews the literature on the macroeconomic implications of financial imperfections. It also examines the global dimensions of macrofinancial linkages and documents the main stylized facts about the linkages between the real economy and the financial sector. The topic of macrofinancial linkages promises to remain an exciting area of research, given the many open questions and significant policy interest. The paper concludes with a discussion of possible directions for future research, stressing the need for richer theoretical models, more robust empirical work and better quality data so as to advance knowledge and help guide policymakers going forward.

This book collects my scholarly research on the behavior of foreign exchange rates conducted over the past twenty-five years. The collection includes papers that study the behavior of exchange rates from the traditional macroeconomic and newer microstructure perspectives. The former perspective considers the linkages between the macro economy and currency prices in an effort to understand the behavior of exchange rates over quarters, years and decades. By contrast, the microstructure perspective considers how the details of currency trading affect how macroeconomic information becomes embedded in currency prices, a process which drives exchange-rates over intraday horizons. The book also contains papers with a hybrid perspective that consider the details of currency trading and macroeconomic linkages in an effort to understand exchange-rate dynamics across all horizons.

Before 2007, economists thought that financial crises would never happen again in the United States, that such upheavals were a thing of the past. Gary B. Gorton, a prominent expert on financial crises, argues that economists fundamentally misunderstand what they are, why they occur, and why there were none in the U.S. from 1934 to 2007. Misunderstanding Financial Crises offers a back-to-basics overview of financial crises, and shows that they are not rare, idiosyncratic events caused by a perfect storm of unconnected factors. Instead, Gorton shows how financial crises are,

indeed, inherent to our financial system. Economists, Gorton writes, looked from a certain point of view and missed everything that was important: the evolution of capital markets and the banking system, the existence of new financial instruments, and the size of certain money markets like the sale and repurchase market. Comparing the so-called "Quiet Period" of 1934 to 2007, when there were no systemic crises, to the "Panic of 2007-2008," Gorton ties together key issues like bank debt and liquidity, credit booms and manias, moral hazard, and too-big-too-fail--all to illustrate the true causes of financial collapse. He argues that the successful regulation that prevented crises since 1934 did not adequately keep pace with innovation in the financial sector, due in part to the misunderstandings of economists, who assured regulators that all was well. Gorton also looks forward to offer both a better way for economists to think about markets and a description of the regulation necessary to address the future threat of financial disaster.
Variations in the foreign exchange market influence all aspects of the world economy, and understanding these dynamics is one of the great challenges of international economics. This book provides a new, comprehensive, and in-depth examination of the standard theories and latest research in exchange-rate economics. Covering a vast swath of theoretical and empirical work, the book explores established theories of exchange-rate determination using macroeconomic fundamentals, and presents unique microbased approaches that combine the insights of microstructure models with the

macroeconomic forces driving currency trading. Macroeconomic models have long assumed that agents--households, firms, financial institutions, and central banks--all have the same information about the structure of the economy and therefore hold the same expectations and uncertainties regarding foreign currency returns. Microbased models, however, look at how heterogeneous information influences the trading decisions of agents and becomes embedded in exchange rates. Replicating key features of actual currency markets, these microbased models generate a rich array of empirical predictions concerning trading patterns and exchange-rate dynamics that are strongly supported by data. The models also show how changing macroeconomic conditions exert an influence on short-term exchange-rate dynamics via their impact on currency trading. Designed for graduate courses in international macroeconomics, international finance, and finance, and as a go-to reference for researchers in international economics, Exchange-Rate Dynamics guides readers through a range of literature on exchange-rate determination, offering fresh insights for further reading and research. Comprehensive and in-depth examination of the latest research in exchange-rate economics Outlines theoretical and empirical research across the spectrum of modeling approaches Presents new results on the importance of currency trading in exchange-rate determination Provides new perspectives on long-standing puzzles in exchange-rate economics End-of-chapter questions cement key ideas
This study provides a candid, systematic, and critical review of recent evidence on this

complex subject. Based on a review of the literature and some new empirical evidence, it finds that (1) in spite of an apparently strong theoretical presumption, it is difficult to detect a strong and robust causal relationship between financial integration and economic growth; (2) contrary to theoretical predictions, financial integration appears to be associated with increases in consumption volatility (both in absolute terms and relative to income volatility) in many developing countries; and (3) there appear to be threshold effects in both of these relationships, which may be related to absorptive capacity. Some recent evidence suggests that sound macroeconomic frameworks and, in particular, good governance are both quantitatively and qualitatively important in affecting developing countries' experiences with financial globalization.