Handout #10: Exchange Rate Policies

The preceding handout affirmed that the primary intent of a fixed exchange rate is to instill confidence at the expense of leaving the level of liquidity unattended, while a flexible exchange rate permits a monetary authority to adjust the level of liquidity, but at a cost of exchange rate risk (ERR). It was also pointed out how fixed exchange rates require an economy to endure classical medicine when subjected to a current account shock, whereas flexible exchange rates effectively insulate an economy from such shocks. Although these attributes constitute the major differences between the two policies, a more complete accounting of the pros and cons of the two opposite kinds of policies is in order and is presented in the first part of this handout. The discussion following presents the compromise exchange rate policies between the fixed and flexible extremes that have been suggested over the years in hopes of finding the ultimate liquidity/confidence balance.

Arguments for a Fixed Exchange Rate (As Opposed to a Flexible Exchange Rate)

1. Less ERR Promotes Economic Activity in Both the CA and KFA:
   (a) With respect to CA activity - A fixed exchange rate, by reducing ERR, provides an environment where there is less uncertainty/risk in doing business with foreign firms: Most export and import activity is carried out by companies and individuals that have ongoing business relationships with each other. Knowledge of, and relationships with, foreign suppliers take time and energy to develop and, once attained, are valuable “assets” to domestic importers. The greater the EER, the less certain people are that these relationships will pay off, and reduces the incentive to develop these relationships in the first place. Generally speaking, the greater the uncertainty regarding the exchange rate, the less desirable it is to invest in trade relationships with foreign countries.
   (b) With respect to KFA activity – A fixed exchange rate eliminates one source of uncertainty regarding the future value of foreign assets to the domestic investor. For example, the possibility of an appreciation by the domestic currency of 5% translates to the possibility that foreign assets lose 5% of their value in the eyes of the domestic investor. Less uncertainty reduces risk premiums (lowering interest rates) and promotes international capital flows that can only improve the efficiency of the distribution of capital across different countries.

   An exception to the general rule that ERR inhibits international investment exists because ERR can increase the financial practicality of producing goods in the same country where they are being sold. For example, Japanese automobile companies that produce cars in Japan for sale in the United States are vulnerable to appreciations in the yen. Essentially, a rise in the value of the currency of their costs and a fall in the value of the currency of their sales can spell sharp losses (assuming the companies deny full pass-through). Thus, they have (and actually have had) an incentive to build automobile plants in the United States so that their costs and revenues are in the same currency.

2. A Fixed Exchange Rate Provides “Discipline” for Monetary Policy – It has been pointed out that a fixed exchange rate prevents prohibits a monetary policy other than maintaining the money supply that corresponds to the specified fixed rate. Many economists tout this as an advantage because it provides “discipline” that helps government officials abstain from falling victim to the four temptations to increase the money supply. The four temptations being:
   a) increasing $M^s$ can lower interest rates, which will increase investment and consumption and, therefore, stimulate output.
b) increasing $M^S$ can have the (beggar-thy-neighbor) effect of reducing the exchange rate that will increase net exports (assuming the MLC holds) and, therefore, increase output.

c) **misperceptions theory** maintains that it is possible for the majority of the people in an economy to misperceive the current rate of inflation. It maintains that people’s beliefs regarding the current level of inflation is often strongly biased by the level of inflation that existed in the previous period which has been reasonably measured and reported. Thus, a monetary authority could increase the rate of money growth to cause inflation to rise from 2% to 5%, while people, for a given period of time, would mistakenly think inflation remains at 2%. The increase in the price of widgets by 5% when the widget maker believes that inflation is 2% causes the widget maker to deduce that the real price of widgets is rising by 3%, undoubtedly due to increased demand for widgets. The widget maker, encouraged by what is interpreted as higher real prices, not only produces more widgets, but may also invest in widget making factors to handle the apparent increased demand. The misperceptions theory maintains that many other producers beside the widget maker can be similarly fooled, and all their responses will boost aggregate output.

d) given the Government Budget Constraint presented in Handout 9 ($GO=TT+\Delta B+\Delta M$) and the political popularity of increasing GO, the political negatives and/or difficulty in collecting TT, and the difficulty and high cost of borrowing, seigniorage is a relatively attractive and feasible source of government finance in the eyes of many government officials. Thus, the temptation to pay for GO by increasing the money supply exists, even though it will generate greater inflation.

Of course, those who believe in the benefits of activist monetary policy certainly view the first of these temptations, if not also the second and third, as reasons for conducting activist monetary policies. But economists that expect the complicated nature of policy lags to defy activist attempts to stabilize the economy favor laissez-faire policies, and are happy to adopt a fixed exchange rate to prevent the overshooting and inflation that can accompany activist monetary policy.

3. A Fixed Exchange Rate Provides "Aversion Therapy" that Promotes Coordinating Policies with Other Countries – Because a fixed exchange rate does not insulate a country from external shocks in the way that a flexible exchange rate does, a country with a fixed exchange rate has more of an incentive to coordinate its policies with other countries. To the extent that the foreign repercussion effect between countries makes complete insulation between economies impossible, coordination between countries is advisable. Some economists believe that a commitment to a fixed exchange rate that makes the countries more vulnerable to foreign shocks gives the countries greater reason to take coordinating policies more seriously.

4. Prevents Destabilizing Speculation (ASSUMING speculation is destabilizing due to "bandwagon effects") - If people believe there are trends in (flexible) exchange rates, then the resulting speculation (i.e., jumping on the bandwagon) will amplify any natural changes in the exchange rate. For example, if $e$ is rising then speculators may buy the domestic currency believing that $e$ will continue to rise. The rush to buy the domestic currency will have the effect of raising $e$. This, for similar reasons, may incite speculators to buy more domestic currency, which will raise $e$ higher, and so on. Consequently, small changes in $e$ due to economic fundamentals (e.g., an increased demand for an exported good) can spark speculative activity that results in large changes in $e$. Such **destabilizing speculation** is blamed for increasing the volatility of $e$ and, therefore, increasing ERR. A fixed exchange rate policy prevents both the initial small changes in $e$ as well as their amplification due to destabilizing speculation.
The alternative perception of speculation is that it smooths the exchange rate compared to the volatility generated by changes in economic fundamentals. For example, the exchange rate cannot rise today above what it is expected to be in the future, because speculators will sell the currency rather than let it rise to the point that it is expected to depreciate. Therefore, seasonal or other fundamental shocks that, in the absence of speculation, would raise or lower e temporarily will, because of this speculation, not affect the exchange rate as much. This stabilizing speculation effectively reduces ERR.

It is important to mention that destabilizing and stabilizing speculation as described above are not mutually exclusive. But to the extent that destabilizing speculation exists (and the degree to which it does exist relative to stabilizing speculation is a subject of serious debate), then a fixed exchange rate is preferable.

5. Fiscal Policy Is More Effective Under A Fixed Exchange Rate (When Capital Is Mobile) – The effectiveness of fiscal policy in affecting AD grows with capital mobility under fixed rates, and falls with capital mobility when the exchange rate if flexible. Therefore, the greater the capital mobility, the greater the potential for activist fiscal policy with fixed exchange rates. (This is effectively demonstrated using IS/LM/BP analysis.)

6. A Fixed Exchange Rate Insulates An Economy from Internal Money Demand or Money Supply Shocks - If there are shocks to the LM curve, e.g., if there are gaffes by the monetary authority when adjusting the money supply, or, if there are unperceived shocks to money demand, then the resulting BOP surplus or deficit under a fixed exchange rate will automatically and promptly return money balances to offset the shock. If, in contrast, a flexible exchange rate is in place when a LM shock occurs, the shock will affect the exchange rate, which will influence net exports and AD accordingly. (IS/LM/BP analysis is excellent for examining such shocks on an economy.)

7. A Fixed Exchange Rate Prevents Wasteful Resource Movements – When the exchange rate appreciates or depreciates and changes the relative prices between the two countries with it, it revises the comparative advantage situation between the countries. The reallocation of factors from their production of goods in which the country no longer has a comparative advantage, to industries where it has a comparative advantage, is known as expenditure switching. And although expenditure switching is part of any healthy, dynamic economy, there are costs to the transition such as lost output while the newly unemployed factors search for the best alternative employment, and startup costs including the cost of retraining labor. If expenditure switching occurs with a rise in the exchange rate, just to be reversed after a short time when the currency depreciates back to its original value, then the costs of expenditure switching in this case were incurred with no real benefit and are considered wasteful. Thus, a fixed exchange rate that prevents such bouncing around of the exchange rate prevents wasteful expenditure switching.

Arguments for a Flexible Exchange Rate (As Opposed to a Fixed Exchange Rate)
1. (spin A) A Flexible Exchange Rate Permits A Country To Adjust Its Liquidity By Having Its Own, Distinct Monetary Policy – This advantage was made clear in Handout #9. An alternative way of stating this benefit that one often hears is:
2. (spin B) A Flexible Exchange Rate Does NOT Subordinate Internal Objectives to External Objectives – “Internal objectives” such as low unemployment and having output at or near the long...
run, full-employment level may be best accomplished by monetary and fiscal policies that are inconsistent with the “external objective” of maintaining a fixed exchange rate to promote CA and KFA activity. For example, a flexible exchange rate allows policy to focus on attaining internal objectives, whereas a fixed exchange rate can require an economy to take its classical medicine. Those who advocate policy attending to internal objectives believe in activist policies to alter short run output, whereas those who focus on the external objective of a stable currency without ERR believe the short run pain of a recession is worth the benefits that a fixed exchange rate bestows on an economy’s long run growth.

2. A Flexible Exchange Rate Insulates An Economy From External Shocks – This feature of flexible exchange rates was also presented in Handout #9. The ability of the exchange rate to change enables the relative prices of goods in different currencies to change without having to wait for the price adjustment mechanism to overpower the stickiness of prices. Again, this insulating effect eliminates the need for classical medicine.

3. A Flexible Exchange Rate Is Not Subject to Realignment Risk – A revaluing, devaluing, or abandoning of a fixed exchange rate is generally referred to as a realignment of the currency. The possibility that a monetary authority will break its promised fixed exchange rate and realign its currency naturally engenders realignment risk, which is a crude form of exchange rate risk. It is often the case that a country’s promises are not perfectly credible. Ironically, the suspicion that a fixed rate might not be honored can lead to speculation against that currency that effectively increases the likelihood of a realignment.

For example, a monetary authority must have sufficient foreign reserves to withstand periods of BOP deficits if it wishes to maintain a fixed exchange rate. If BOP deficits are so great that the monetary authority’s vault runs dry, then the monetary authority will be forced to significantly devalue the currency if not let the currency float and let the exchange rate depreciate. If a monetary authority’s foreign reserves seem too small relative to its recent or possible BOP deficits, the financial markets can “attack” a currency by selling it in large volumes and forcing the monetary authority to use its foreign reserves to support the value of the currency.

Once such a “speculative attack” on a currency begins, the possibility that the monetary authority will run out of reserves and become powerless to prevent its currency from devaluation or depreciation is salient. On the other hand, the possibility that the attacked currency will be revalued or appreciate is not a serious consideration. The asymmetry of this situation provides the setting for the “speculative one-way bet”. Even if one considers the probability that the monetary authority will run out of reserves and let the currency depreciate to be only 10%, the fact that the probability that the currency will appreciate is 0% means that people have little to lose by selling the currency. If after selling the currency, it depreciates, then they benefited by unloading it. If the currency never does depreciate, then they simply buy it back at the same rate they sold it at. Given the one-way nature of the speculation people can only benefit by selling the currency, and do so, effectively joining the attack. Any monetary authority that adopts a fixed exchange rate is potentially vulnerable to being attacked and, given the one-way nature of the speculation, the attack has a reasonable chance of being successful, i.e., of forcing the government to concede defeat and devaluing its currency or letting it depreciate. This can occur after the monetary authority has spent all of its reserves purchasing its currency and can no longer support it or, more often, a government foresees its ultimate failure and abandons its fixed rate before all its reserves are lost. Of course, a greater possibility of speculative attacks generates greater realignment risk.
The threat of speculative attacks to a fixed exchange rate has given rise to an exchange rate policy governed by a currency board. A currency board is a monetary authority that maintains a fixed exchange rate policy backed by sufficient foreign reserves in its vault to purchase the entire monetary base of its currency. Therefore, a currency board will never be without foreign reserves in its vault available to defend its fixed exchange rate. But, just because there are ample reserves does not completely eliminate the possibility of a speculative attack. This is because the reduced liquidity (and the corresponding short-run harm to the economy) associated with defending against a speculative attack can alarm a government and cause it to give up its defense even though it might have the reserves on hand.

4. A Flexible Exchange Rate, In Contrast To A Fixed Rate, Does Not Cause Governments To Adopt Harmful Policies To Avoid the Pain Associated With BOP Deficits and Classical Medicine – The undesirable contraction of the money supply that accompanies BOP deficits gives governments an incentive to eliminate debit activity in both the CA and KFA. For example, governments have been known to put up tariffs to cut down on imports, and put on exchange controls in order to prevent capital outflow. But reducing imports through tariffs reduces the potential country’s output by restricting its trade and forcing it to produce goods it does not have a comparative advantage in. Similarly, exchange controls that limit capital outflow makes international investors weary to invest in a country where withdrawing their capital in the future will be impeded. Thus, the attempt to prevent KFA debits reduces KFA credits along with it.

5. Flexible Exchange Rates Do Not Require Valuable Resources To Be Tied Up As International Reserves – Critics of fixed exchange rates point to the monetary authority’s large vault full of foreign reserves that does nothing but (hopefully) dissuade financial markets from attacking the currency, could be used to finance government outlays if the country changed to a flexible exchange rate.

Alternative Exchange Rate Regimes: The Hybrids

The advantages of a fixed exchange rate and its preservation of confidence in the currency, contrasted with the advantages of a flexible exchange rate that permits stabilizing adjustments in the currency’s level of liquidity, naturally make one suspect that there might be a hybrid exchange rate policy that would capture the best of both systems. Hybrid exchange rate policies have been considered, but any benefits from an exchange rate policy that is fixed to some extent while also flexible to some extent, are offset by equally substantial weaknesses. Three such polices that have been tried are:

1) Wide Bands – The government establishes a range of permissible exchange rates, and only intervenes to keep it within that range. For example, the US government could have a policy of wide bands with respect to the pound/$ exchange rate, in which it identified an exchange rate of 0.5 and allowed it to float within specified bands in either direction. For example, if it specified 10% bands, it would not allow the exchange rate to fall below 10% of the 0.5 nor let it rise beyond 10% greater, i.e., it would intervene as necessary to keep the exchange rate from falling below 0.45 or to prevent it from rising above 0.55.

Assessing the benefits and costs of this hybrid policy – as with the other hybrid policies – is simply accomplished using the pros and cons of fixed and flexible exchange rates listed above. For example, to the extent that wide bands puts boundaries on the possible appreciation or depreciation
of the currency, it reduces ERR. And to the extent that it permits the exchange rate to move, it gives the monetary authority some room to conduct an activist monetary policy in which it alters the economy’s level of liquidity. As just one more example, the flexibility within the limits would provide some insulation from CA-ish shocks. Whereas this is the glass-is-half-full perspective on wide bands, there is also the glass-is-half-empty view: The flexibility within the bands would give rise to ERR, and the inability to let the exchange rate go outside the bands would limit monetary policy options.

2) Crawling Peg – The government honors a fixed rate (or narrow bands), but has a clearly advertised policy of moving that pegged rate in small steps over time as needed. For example, if a government that conducts a crawling peg policy is consistently experiencing BOP deficits at the current pegged rate, it could devalue its currency by lowering its peg in incremental steps. Although a greater devaluation may be the ultimate goal, the “crawling” aspect of the policy requires that larger devaluations occur as the result of a series of small adjustments to the peg over time to prevent large sudden changes from rattling the markets.

As with the wide bands policy, to the extent that a crawling peg instills confidence in the currency while permitting the monetary authority to influence the level of liquidity, the policy is advantageous. However, the ability of the exchange rate to change (i.e., realignments of the peg) constitutes ERR (in the form of realignment risk), and the policy of maintaining the peg over periods of time and only permitting incremental changes in the exchange rate restricts the potential for countercyclical monetary policy.

3) Managed Float – The monetary authority could have a general policy of letting the currency float, but intervene in order to prevent excessive swings in the value of the exchange rate. For example, if a currency were to start to fall rapidly due to speculative activity, the monetary authority would intervene and buy its currency in the foreign exchange markets to temper the fall. If pressure continued for the currency to fall then it would still do so, just not as rapidly as if the monetary authority was not responding.

The major economies of the world (e.g., the US, Europe’s EMU, Japan) effectively practice managed floats of their currencies, although they intervene only rarely. The major currencies’ monetary authorities are also likely to coordinate their interventions with each other. For example, if the $ were to fall precipitously against the yen and euro, it is likely that the monetary authorities of the US and Japan, as well as the European Central Bank would agree on how many $’s each would purchase in the foreign exchange market to dampen its fall.

There have been times when countries that are supposedly managing their floating exchange rate have been accused of conducting a “dirty float.” A dirty float is when the monetary authority lets the value of its currency float, but intervenes in the foreign exchange market with the intent of causing the currency to depreciate, the goal being to stimulate net exports. It is the beggar-thy-neighbor nature of the policy that earns the policy its name.

Table 1 lists exchange rate policies ranked by the reduction of ERR. Therefore, a monetary union that effectively eliminates ERR between participating countries is at the top of the list, while a pure flexible exchange rate is at the bottom. A monetary union is free from the realignment risk that can afflict a fixed exchange rate and, therefore, is above the fixed exchange rate on the list. The protection that a currency board provides against a speculative attack causes it to be subject to less realignment risk than a fixed exchange rate and, therefore, it sits above the fixed exchange rate in Table 1.
TABLE 1

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<td>Monetary Union</td>
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As expected given the tradeoff between confidence and liquidity examined in Handout #9, Table 1 simultaneously lists exchange rate policies ranked by their restrictions on the monetary authority’s ability to adjust liquidity. All participation countries in a monetary union necessarily share the same monetary policy (since they share the same currency) and, therefore, independent liquidity adjustments via independent monetary policies are not possible. Currency boards and standard fixed exchange rate policies may claim to deny monetary policy, yet revaluing or devaluing the currency amounts to decreasing or increasing the level of liquidity as if it were a monetary policy. The hybrid policies permit degrees of monetary policy, and a fully flexible exchange rate allows for unfettered monetary policy.

Fixed Exchange Rates and the Gold Standard

Any new currency that hopes to be viewed with sufficient confidence to serve as a medium of exchange must align itself with (i.e., fix its value in terms of) some existing asset that has already earned people’s confidence. This is why almost all currencies that dared being in the form of paper were originally aligned with gold. Paper currencies have no intrinsic value (except for possibly helping get a fire going) and have relied historically on promises that the paper can be exchanged for gold at a fixed rate to give people confidence in the paper money. Aligning a currency with gold is referred to as adopting the gold standard. Before World War I, the gold standard was considered necessary to maintain confidence in a currency, and essentially all countries were on the gold standard.

Because the United States fixed its currency in terms of gold, and Great Britain fixed its currency in terms of gold, cross rate parity enforced a fixed exchange rate between the $ and £. In fact, under the gold standard, every currency had a fixed exchange rate with every other currency due to their common anchor of gold. It was noted in Handout #9 that a fixed exchange rate fuses the monies in a way that makes them serve very much like a single common currency. In many respects the gold standard caused the world to have a single money supply based on gold. (More on this will be said in Handout #11.)

In more modern times we are no longer on the gold standard, yet there are currencies such as the US dollar that people have confidence in despite the fact that they are no longer aligned with gold. Therefore, it is now common for countries that wish to increase confidence in their currencies to align their currency with one of these strong currencies just as countries aligned with gold under the gold standard.
Optimal Currency Areas

Monetary authorities’ choices of which, if any, monies to align their currencies with has, up until the present time, been largely constrained by the desire or need to bolster confidence in the currency. But growing understanding of the short and long run consequences of monetary and exchange rate policies, as well as the trend towards greater independence of monetary authorities around the world, is improving confidence in many currencies such that the decision of which currency to be aligned with is becoming less governed by that concern. In the absence of concerns about confidence, the thinking regarding currency alignments revolves around the fundamental economic natures of the different economies. Specifically, when the characteristics of two or more countries make the alignment of their currencies particularly beneficial, that set of countries is referred to as an optimal currency area.

To illustrate the concept of an optimal currency area, assume that there are only four countries, North, East, South, and West, each with their own currencies. Assume that West and East produce mainly agricultural products, while North and South produce manufactured goods. Now assume there is worldwide shift in demand from agricultural to manufactured goods that stimulates the economies of North and South while harming those of West and East.

Imagine first that West and North were to have their currencies aligned (e.g., West fixes its currency to North’s) when this shift in demand occurs. The increased demand for North’s goods will cause North to experience BOP surpluses, just as West will experience BOP deficits. The associated increase in liquidity in North will cause it to boom, while the reduced liquidity in West will cause it to fall into recession. Of course, sticky prices will fall ultimately fall to restore the West’s liquidity, but not without the corresponding classical medicine. But the situation gets worse yet for West, because by fixing its currency to North’s, West has adopted North’s monetary policy. North, concerned about the increase in its money supply (due to the BOP surpluses) causing its economy to overheat and spawn inflation, will conduct contractionary monetary policy. The withdrawal of domestic currency from North’s economy will tend to cause its currency to appreciate versus West’s currency and, therefore, West’s monetary authority must buy up its own currency in the foreign exchange markets to prevent it from depreciating. Thus, as is expected with a fixed exchange rate, North’s contractionary monetary policy becomes West’s contractionary monetary policy. In this case, West’s fixed exchange rate policy clearly has exacerbated its problems as it has forced it to withdraw liquidity from its economy when it was already experiencing a recession.

Alternatively, if West maintains a flexible exchange rate with North, then the effects of the shift in demand away from agricultural to manufactured goods would be insulated by the flexible exchange rate. The shift would result in North’s currency appreciating in terms of West’s currency, which would dampen the effects of the shock. Also, to the extent that West would still be hurt somewhat by the shock, West could use expansionary monetary policy to assist its economy as North conducted its contractionary monetary policy to cool down its economy.

But now consider the same shift in demand assuming that West fixes its currency to East’s. Because West and East have similar economies in their production of agricultural goods, they both suffer from the shift in demand away from those goods. If East addresses its recession by conducting expansionary monetary policy, then West’s promise to honor its fixed exchange rate with East will require it to prevent the likely depreciation of East’s currency by purchasing it with newly created West currency. In other words, West’s monetary policy again duplicates that of the currency it has fixed to, but since East is experiencing the same problems as West, West
wants the same monetary policy as East. Because West and East have the same fundamental type of economy that will suffer the same shocks and, therefore, the same business cycle, being forced to have the same monetary policy is not a negative in this case. Therefore, West and East together would be considered an optimal currency area.

Similarly, the fact that North and South are both booming due to the shift in demand to their manufactured goods means that they would both be inclined to conduct contractionary monetary policy. If the two countries were to align their currencies, they would be able to have all the benefits of a fixed exchange rate including reduced ERR. But, importantly, the usual downside of a fixed exchange rate of not being able to have a separate monetary policy is not a problem, because the two economies each want the same monetary policy. Thus, North and South constitute another optimal currency area. Optimal currency areas allow those who believe in activist policies to have their cake and eat it, too: They can fix their currency and reduce ERR while still having a monetary policy that addresses the internal goal of accelerating the return of short run output to its long run equilibrium level.

**Factor Mobility**

The above example’s similarity between North and South as well as their common differences with both West and East provides optimal currency area theory with a straightforward recommendation for a particular alignment of their currencies. But the real world is never so simple. Given that any two countries are rarely very similar or very distinct, the alignment decision is more complicated and needs to weigh other attributes of the economies. One very important characteristic that greatly influences the decision of whether to align currencies or not is the degree of factor mobility, i.e., the ease with which factors of production (such as laborers) are able to relocate in order to gain employment.

Consider the case where one region starts to boom while the other falls into recession. Relatively frictionless factor mobility would permit those laborers who become unemployed in the recessionary region to move their households to the region that is booming. Such labor mobility dampens if not eliminates the desire for expansionary monetary policy in the recessionary region, as well as reducing the pressures for wages and prices to rise in the booming region. Thus, the greater the factor mobility, the less the pain associated with aligning currencies and sharing the same monetary policy.

Many of the objections to the creation of the European monetary union and its euro were based on the argument that factor mobility between the member countries was poor. In recent years Germany’s economy has been lackluster while Ireland’s has been very strong. The hardships from this imbalance would be lessened by greater factor mobility. In this case, unemployed Germans could fill jobs in Ireland. Although there has been dramatic revision of the labor laws of the participating countries in order to permit greater labor mobility, cultural differences have been sufficient to prevent a migration of unemployed Germans to Ireland so far. But with the consolidation of Europe, it will be interesting to see how things change in the next couple of decades.

Of course, the United States benefits by great, and increasing labor mobility as well as the mobility of other factors. Americans relocating to other areas of the country in search of better employment is becoming more common each year.
# Key Terms

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