

國際貨幣體系 — 歷史綜述 (Part 2)

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[取材自Krugman, et al. (2018)
chap. 8]

1 達成內部與外部平衡的政策選擇

- How were individual countries able to reach internal and external balance **under the rules of the Bretton Woods system**?
- In line with the approximate conditions later in the Bretton Woods system, we will assume a high degree of financial capital mobility across borders, so that **the domestic interest rate cannot be set independently of the exchange rate**
- A simple diagram will help you to visualize the available policy options
 - Our **diagrammatic framework**... is applicable whether the exchange rate is fixed, as under the Bretton Woods system, or flexible
 - The analysis applies to the short run because... (國內外物價僵固)

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1-1 保持內部平衡

- 內部平衡條件： $Y = Y^f$
- 本國支出(domestic absorption)、內需與外需*
 - 來自國內與國外對本國(最終)財貨的購買需求

$$Y = \underbrace{C^d + I^d + G^d}_{\text{國內對本國商品及服務的支出}} + \underbrace{EX}_{\text{外國對本國財貨的支出}}$$

[內需] **[外需]**

上標：國內
 d = 對本國商品的支出
 f = 對外國商品的支出

- 本國總產出(Y，即GDP)可供內需與外需之用
- 亦即對本國產出(Y)的總需求(aggregate demand)包括內需與外需

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1-1

- 本國總支出(domestic absorption)、內需與外需(cont.)
 - 納入國內對進口品的購買支出...

$$\begin{aligned} C &= C^d + C^f & C^d &= C - C^f \\ I &= I^d + I^f & \Rightarrow I^d &= I - I^f \\ G &= G^d + G^f & G^d &= G - G^f \end{aligned}$$

- 將上述關係帶入前式(見前頁)：

$$\begin{aligned} Y &= (C - C^f) + (I - I^f) + (G - G^f) + EX \\ \Rightarrow Y &= (C + I + G) + EX - \underbrace{(C^f + I^f + G^f)}_{\text{進口支出}} \end{aligned}$$

$$\Rightarrow Y = C + I + G + EX - IM$$

$$\Rightarrow Y = C + I + G + \underbrace{NX}_{\text{輸出淨額}}$$

$$\Leftrightarrow \underbrace{NX}_{\text{淨輸出}} = \underbrace{Y}_{\text{產出}} - \underbrace{(C + I + G)}_{\text{國內消費}}$$

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1-1

- 根據前述關係，令 $A = C + I + G$ ，是為國內支出(domestic absorption)，代表本國總消費(包括對本國產品與外國產品的購買總支出)

- ... the condition of internal balance is therefore

$$Y^f = C + I + G + CA(EP^*/P, A) = A + CA(EP^*/P, A). \quad (8-1)$$

- The policy maker can hold output steady at its full employment level, Y^f , through fiscal policy or exchange rate changes (... in the short run)
 - 財政政策： ΔG or/and $\Delta T \Rightarrow A$
 - 匯率政策： $\Delta E \Rightarrow CA$
- Notice that monetary policy is not a policy tool under fixed exchange rates (浮動匯率： $\Delta M \Rightarrow \Delta E \Rightarrow CA$)

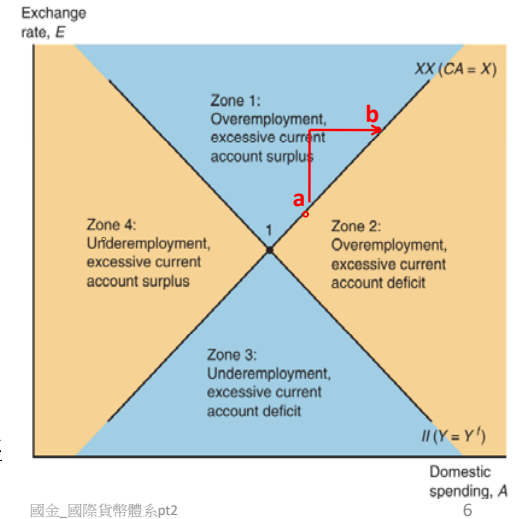
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1-1

- 內部與外部平衡：
II-XX曲線或圖形
 - 點1代表外部與外部同時保持平衡
 - 1區：過度就業與經常帳順差
 - 2區：過度就業、經常帳過度逆差
 - 3區：失業、經常帳過度逆差
 - 3區：失業、經常帳過度順差
 - (Note: II-XX圖形並非依經濟均衡模型)



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1-2 維持外部平衡

- The goal of external balance requires the government to manage domestic spending (perhaps through fiscal policy) and the exchange rate so that...

$$CA(EP^*/P, A) = X \quad (8-2)$$

- Given P and P^* , a rise in E makes domestic goods cheaper and improves the current account
- A rise in domestic spending, A , however, has the opposite effect on the current account, because it causes imports to rise
- To maintain its current account at X as it devalues the currency (that is, as it raises E), the government must enact policies that raise domestic spending (參見前圖a→b)

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1-3 支出(增減)變動與支出轉換政策

- A change in fiscal policy that influences spending so as to move the economy to point 1 is called an **expenditure-changing policy** because it alters the *level* of the economy's total demand for goods and services
- The accompanying exchange rate adjustment is called an **expenditure-switching policy** because it changes the *direction* of demand, shifting it between domestic output and imports
- In general, both expenditure changing and expenditure switching are needed to reach internal and external balance (同時達成2個目標需2個工具)

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1-3

- 但在BWS下，受限於匯率政策的使用... This left fiscal policy as the main policy tool for moving the economy toward internal and external balance
 - 惟fiscal policy, is generally insufficient to attain the two goals...
 - Only if the economy had been displaced horizontally from point 1 would fiscal policy be able to do the job alone
 - In addition, fiscal policy is an unwieldy tool... since (1) it often cannot be implemented without legislative approval (2) a fiscal expansion, for example, might have to be reversed after some time if it leads to chronic government budget deficits
 - As a result of the exchange rate's inflexibility during the Bretton Woods period, policy makers sometimes found themselves in difficult situations (見次圖)

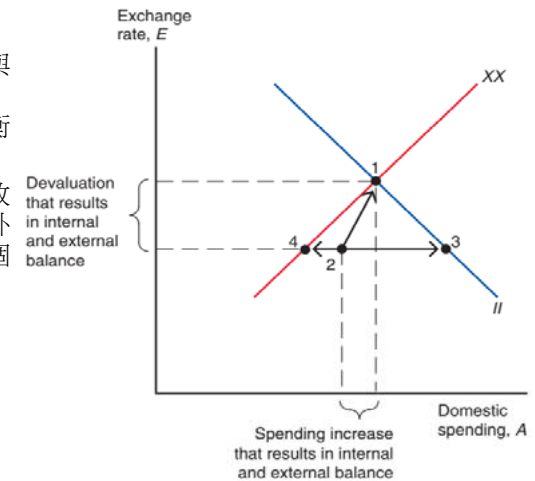
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1-3

- 若經濟原位於2
 - 同時採幣值調降與財政擴張2個政策就可恢復內外平衡(位1)
 - 但如果只用財政政策就僅能達成內外平衡兩者中的一個(位4或位3)



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2 在BWS下的美國外部平衡問題

- The external balance problem of the US was different...
 - the US was not responsible for pegging dollar exchange rates
 - Its main responsibility was to hold the dollar price of gold at \$35 an ounce and,
 - in particular, to guarantee that foreign central banks could convert their dollar holdings into gold at that price
 - For this purpose, it had to hold sufficient gold reserves
- the possibility that other countries might convert their dollar reserves into gold was a potential external constraint on U.S. macroeconomic policy
 - ...the dollars they (i.e.外國央行)accumulated, since these paid interest and were international money *par excellence*

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2

- the logic of the gold exchange standard dictated that foreign central banks should continue to accumulate dollars
- **Because world gold supplies were not growing quickly enough to keep up with world economic growth**, the only way central banks could maintain adequate international reserve levels (barring deflation) was by accumulating dollar assets
 - the case for Germany, where the booming economy in the 1950s and 1960s resulted in an appreciation pressure of the German mark against the dollar
 - In order to maintain the fixed exchange rate, the German central bank was permanently forced to buy dollars and to add them to its reserves

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2

- the **confidence problem** (Robert Triffin in 1960)
 - as central banks' international reserve needs grew over time, their holdings of dollars would necessarily grow until they exceeded the U.S. gold stock
 - it would no longer have the ability to meet its obligations should all dollar holders simultaneously try to convert their dollars into gold
 - This would lead to a confidence problem: Central banks, knowing that their dollars were no longer "as good as gold," ⇒ 國際擠兌黃金
- One possible solution at the time was an increase in the official price of gold in terms of the dollar and all other currencies (如同幣值調降, devaluation) 但是...

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- ... such an increase would have been inflationary and would have had the politically unattractive consequence of enriching the main gold-supplying countries
- Further, an increase in gold's price would have caused central banks to expect further decreases in the gold value of their dollar reserve holdings in the future, thereby possibly worsening the confidence problem rather than solving it!

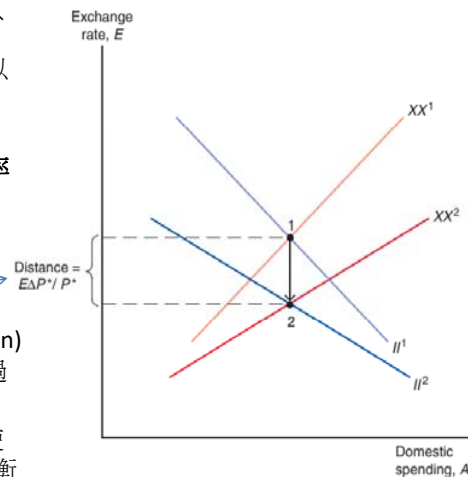
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2-1 輸入型通膨

- 經濟原位於1，假設 $P^* \uparrow$
 - II線左移(因 $AC \uparrow$ ， A 需 \downarrow 以保持內部平衡)
 - XX線下移(因 $AC \uparrow$ ，本幣須升值($E \downarrow$)以使實質匯率不變，並維持外平衡)
 - Note: $\Delta \ln(EP^*/P) = 0 \Rightarrow \Delta \ln E = (-\Delta \ln P^*)$
 - $\Leftrightarrow \Delta E = E \Delta P^* / P^*$
 - 若不調升幣值(revaluation) 原經濟1會是過多CA，過度就業(經濟過熱)
 - 幣值調升政策措施2可使經濟恢復內部與外部平衡



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2-1

- A revaluation restores internal and external balance immediately, without domestic inflation, by using the nominal exchange rate to offset the effect of the rise in P^* on the real exchange rate
- without domestic inflation, by using the nominal exchange rate to offset the effect of the rise in P^* on the real exchange rate
- when no revaluation takes place requires a rise in the domestic money supply, since prices and the money supply move proportionally in the long run
 - 若無幣值調升，就要 $P \uparrow$ 以維持平衡；若要 $P \uparrow$ ，就需 $M_s \uparrow$ (數量說)
 - The mechanism that brings this rise about is foreign exchange intervention by the home central bank ...

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2-1

- The mechanism... (輸入型通膨)
 - As domestic output and prices rise after the rise in P^* , the real money supply shrinks and the demand for real money holdings increases
 - To prevent the resulting upward pressure on the home interest rate from appreciating the currency, the central bank must purchase international reserves and expand the home money supply
 - In this way, inflationary policies pursued by the reserve center spill over into foreign countries' money supplies

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2-2 結果評估

- The collapse of the Bretton Woods system...
 - the lopsided macroeconomic power of the United States, which allowed it to generate global inflation
 - also due in large measure to the fact that the key expenditure-switching tool needed for internal and external balance—discrete exchange rate adjustment—inspired speculative attacks that made both internal and external balance progressively more difficult to achieve
- The system thus was a victim of the trilemma
 - As international financial flows became harder to restrain, policy makers faced an increasingly sharp trade-off between exchange rate stability and domestic monetary goals
 - By the 1970s, ...it was fixed exchange rates that gave way

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3 採浮動匯率的理由

- in the late 1960s, most economists began advocating greater flexibility of exchange rates
- The case for floating exchange rates ...four major claims:
 - (1) *Monetary policy autonomy*... Furthermore, no country would be forced to import inflation (or deflation) from abroad
 - (2) *Symmetry*... the United States would no longer be able to set world monetary conditions all by itself. At the same time, the United States would have the same opportunity as other countries to influence its exchange rate
 - (3) *Exchange rates as automatic stabilizers*... the swift adjustment of market-determined exchange rates would help countries maintain internal and external balance in the face of changes in aggregate demand (對於匯率重整的投機攻擊也不再發生)

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- The case for floating exchange rates ... (cont.)
 - (4) *Exchange rates and external balance*. Market-determined exchange rates would move automatically so as to prevent the emergence of big current account deficits and surpluses

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3-1 貨幣政策自主性

- Advocates of floating rates pointed out that removal of the obligation to peg currency values would restore monetary control to central banks
 - If, for example, the central bank faced unemployment and wished to expand its money supply in response, there would no longer be any legal barrier to the currency depreciation this would cause
 - Similarly, the central bank of an overheated economy could cool down activity by contracting the money supply without worrying that undesired reserve inflows would undermine its stabilization effort
 - floating rates implied an approach to the monetary trilemma that sacrificed fixed exchange rates in favor of freedom of financial flows and of monetary policy

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3-1

- One of the most telling arguments in favor of floating rates was their ability, in theory, to bring about automatically exchange rate changes that insulate economies from ongoing foreign inflation
 - The mechanism behind this insulation is PPP
 - In the long run... Exchange rates eventually move to offset exactly national differences in inflation
 - If U.S. monetary growth leads to a long-run doubling of the U.S. price level... (參見p.293, par.2, line 4)
 - (此外) A money-induced increase in U.S. prices also causes an *immediate* appreciation of foreign currencies against the dollar when the exchange rate floats
 - the foreign exchange speculators who might have mounted an attack on fixed dollar exchange rates speed the adjustment of floating rates

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補充說明：PPP、通膨與均衡匯率

- 若長期間PPP成立

$$E_{US/他幣} = P_{US}/P \quad \text{or} \quad E_{US/他幣} = q \times (P_{US}/P), \quad q=1$$
- 在以美元為中心的固定匯率制之下，當 $P_{US} \uparrow$ ，其他國家只得輸入通膨， $P \uparrow$
- 若他國允許貨幣貶值，讓 $E \uparrow$ ，則可維持其物價穩定
- 但是...PPP是否是跟長期均衡實質匯率一致？
 - PPP隱含的實質均衡匯率(即 $q=1$)僅屬特例...
 - 除固定與浮動匯率之外，是否還有第3種架構或其他的選擇？
 - 此外，即使在長期，浮動匯率是否真能阻絕通膨輸入？

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3-2 對稱性

- There were two main asymmetries (under BWS not GS), ...
 - (1) the U.S. Federal Reserve played the leading role in determining the world money supply, and central banks abroad had little scope to determine their own domestic money supplies
 - (2) any foreign country could devalue its currency against the dollar in conditions of “fundamental disequilibrium,” but the system’s rules did not give the United States the option dollar devaluation required a long and economically disruptive period of multilateral negotiation
- A system of floating exchange rates would do away with these asymmetries
 - All countries’ exchange rates would be determined symmetrically by the foreign exchange market, not by government decisions

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3-3 匯率充當自動穩定因子

- 應付外國通膨(如前述)
- 另外，應付 A fall in demand for the home country's exports
 - 浮動匯率與固定匯率之間因應的差異(見下圖)

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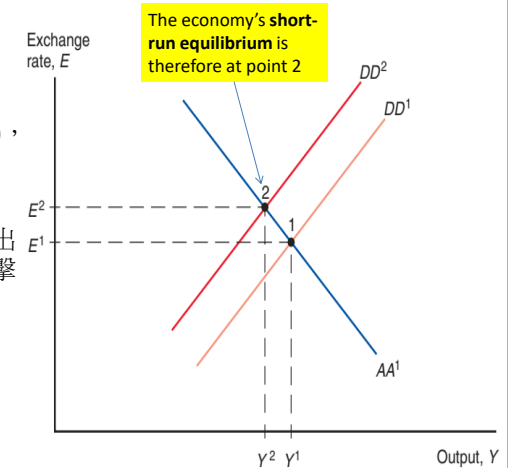
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3-3

• 在浮動匯率制下

- 當輸出需求減少，DD線左移
- 本幣貶值至 E^2 (why?)，產出僅減少至 Y^2
* $Y \downarrow \Rightarrow Md \downarrow, R \downarrow \Rightarrow E \uparrow$
- 貶值有助抵消部分輸出需求減少對產出的衝擊
- 相較固定匯率制... (見次頁)



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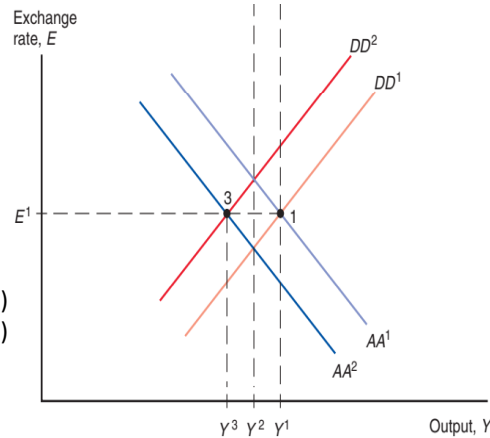
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3-3

• 在固定匯率制下

- 當輸出需求減少，本幣原應貶值，產出減至 Y^2
- 但為固定匯率阻本幣貶值，採外匯干預釋出外匯資產而購入本幣 $\Rightarrow MS \downarrow$ 、AA線左移 \Rightarrow 產出更減至 Y^3
- 此時短期均衡產出(Y^3)要比浮動匯率下的(Y^2)為低



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3-3

• 若輸出需求減少為永久性的干擾(permanent shock)，則其衝擊益形嚴重

- 若為永久干擾，也會帶動 $E \uparrow$ ，則 $E \uparrow$ 的幅度要比暫時性干擾(temporary shock)的來得大
- Under the Bretton Woods system, a fall in export ..., if permanent, have led to a situation of "fundamental disequilibrium" calling for a devaluation of the currency or a long period of domestic unemployment as wages and prices fell
- Uncertainty about the government's intentions would have encouraged speculative capital outflows, further worsening the situation by depleting central bank reserves and contracting the domestic money supply at a time of unemployment

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3-3

- Advocates of floating rates pointed out that the foreign exchange market would automatically bring about the required *real* currency depreciation through a movement in the nominal exchange rate
 - This exchange rate change would reduce or eliminate the need to push the price level down through unemployment, and because it would occur immediately, there would be no risk of speculative disruption, as there would be under a fixed rate

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3-4 匯率與外部平衡

- Because a country with a large current account deficit is borrowing from foreigners and thereby increasing its foreign debt, it will eventually have to generate larger surpluses of exports over imports to pay the interest on that debt ⇒ 貨幣貶值
 - speculators, anticipating this depreciation, would drive the currency down in advance, making exports more competitive and imports more expensive **in the short run**
 - Such stabilizing speculation, it was held, would prevent current account deficits from getting too large in the first place
 - 在有貿易順差時，同理...

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3-4

- A corollary of this view is that floating exchange rates would not be too volatile, because stabilizing speculators would constantly drive them toward levels consistent with external balance
 - 前提是要投機者只關心貿易是否平衡，且要他們能合理掌握貿易變化的訊息
- 理論是否成功預測實情或因而得到印證... after 1973?
 - advocates of floating were on the whole too optimistic that a system of market-determined exchange rates would function free of exchange market turbulence or policy conflicts among countries

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4 浮動匯率下的總體經濟相互依賴關係

- 前述假設小型開放經濟...
 - a small country that cannot affect foreign output, price levels, or **interest rates** through its own monetary and fiscal policies
- 考慮大型經濟體如美國(相對於世界其他部分)...
 - (在浮動匯率下)其政策會產生外溢效果
- We will... restrict ourselves to the short run, in which we can **assume that nominal output prices are fixed**
- Imagine a world economy made up of two large countries, Home and Foreign
 - Our goal is to evaluate how Home's macroeconomic policies affect Foreign
 - we consider only the case of *permanent* shifts in monetary and fiscal policy

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4-1 (本國) 永久性的貨幣擴張

- 在小型經濟下
 - Home's currency would depreciate and its output would rise
- The same happens when Home's economy is large, but now, the rest of the world is affected too
 - Because Home is experiencing real currency depreciation (短期物價僵固), Foreign must be experiencing real currency appreciation, which makes Foreign goods relatively expensive and thus has a depressing effect on Foreign output
 - The increase in Home output,... Home spends some of its extra income on Foreign goods and, on that account, aggregate demand for Foreign output rises
 - ... the net result depending on which effect is the stronger. Foreign output may rise or fall

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4-2 (本國) 永久性的貨幣擴張

- 在小型經濟下
 - a permanent fiscal expansion caused a real currency appreciation and a current account deterioration that fully nullified any positive effect on aggregate demand
 - ...Home's lower current account balance must be a higher current account balance abroad
- In the large-country case, Foreign output still rises, since Foreign's exports become relatively cheaper when Home's currency appreciates
- In addition, now some of Foreign's increased spending increases Home exports, so Home's output actually does increase along with Foreign's

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4-3 總結

- **1. Effect of a permanent monetary expansion by Home.** Home output rises, Home's currency depreciates, and Foreign output may rise or fall
- **2. Effect of a permanent fiscal expansion by Home.** Home output rises, Home's currency appreciates, and Foreign output rises

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5 一九七三年以來的啟示

- 支持浮動匯率制的論者，在1973年之前所主張的預想，其後到底應驗了多少？
- 5-1 貨幣政策自主性方面
- There is no question that floating gave central banks the ability to control their money supplies and to choose their preferred rates of trend inflation
 - ...allowed a much larger international divergence in inflation
- Did exchange depreciation offset inflation differentials between countries over the floating-rate period?
- Figure 8-10 (下圖) compares domestic currency depreciation against the dollar with the difference between domestic and U.S. inflation...

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5-1

- The PPP... predicts that the points in the figure should lie along the 45° line
 - $\% \Delta E_{F/\$} = (\pi - \pi_{US}) \div (1 + \pi_{US}/100) \approx \pi - \pi_{US}$
 - PPP has not always held closely, even over long periods of time, it does show that on balance, high-inflation countries have tended to have weaker currencies than their low-inflation neighbors

Percent change in foreign price level less percent change in U.S. price level, 1973-2015

Percent change in foreign currency price of U.S. dollar, 1973-2015

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5-1

- Furthermore, most of the difference in depreciation rates is due to inflation differences, making PPP a major factor behind long-run nominal exchange rate variability
 - Note: $\% \Delta E_{F/\$} = q_{F/US} + \underbrace{(\pi_F - \pi_{US})}_{PPP}$
- While the inflation insulation part of the policy autonomy argument is broadly supported as a *long-run* proposition, economic analysis and experience both show that **in the short run**, the effects of monetary as well as fiscal changes are transmitted across national borders under floating rates (參見前節 4)

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5-2 對稱性方面

- Because central banks continued to hold dollar reserves and intervene, the international monetary system did not become symmetric after 1973
- Economist Ronald McKinnon of Stanford University has argued that the current floating-rate system is similar in some ways to the asymmetric reserve currency system underlying the Bretton Woods arrangements
 - changes in the world money supply would have been dampened under a more symmetric monetary adjustment mechanism
 - In the 2000s, China's policy of limiting its currency's appreciation against the dollar led it to accumulate vast dollar reserves... As a result, some economists have characterized the period of the early and mid-2000s as a "revived Bretton Woods system"

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5-3 匯率充當自動穩定因子方面

- Under floating, however, many countries were able to relax the capital controls put in place earlier
 - In the absence of capital controls, speculative attacks similar to those that brought down the Bretton Woods system would have occurred periodically
 - Under floating, ... many countries were able to relax the capital controls put in place earlier
 - The progressive loosening of controls spurred the rapid growth of a global financial industry and allowed countries to realize greater gains from intertemporal trade and from trade in assets
- the stabilizing properties of a floating exchange rate ...

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5-3

- The effects of the U.S. fiscal expansion after 1981...
 - As the dollar appreciated, U.S. inflation was slowed, American consumers enjoyed an improvement in their terms of trade, and economic recovery was spread abroad
- The dollar's appreciation after 1981 also illustrates a problem...
 - Even though *overall* output and the price level may be cushioned, some sectors of the economy may be hurt
 - while the dollar's appreciation helped transmit U.S. fiscal expansion abroad in the 1980s, it worsened the plight of American agriculture
 - Real exchange rate changes can do damage by causing excessive adjustment problems in some sectors and by generating calls for increased protection

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5-3

- Permanent changes in goods market conditions require eventual adjustment in real exchange rates that can be speeded by a floating-rate system
 - Foreign exchange intervention to peg nominal exchange rates cannot prevent this eventual adjustment because money is neutral in the long run and thus is powerless to alter relative prices permanently
- The events of the 1980s show, however, that if it is costly for factors of production to move between sectors of the economy, there is a case for pegging rates in the face of temporary output market shocks
 - Unfortunately, ...the difficult task of determining which disturbances are temporary and which are permanent

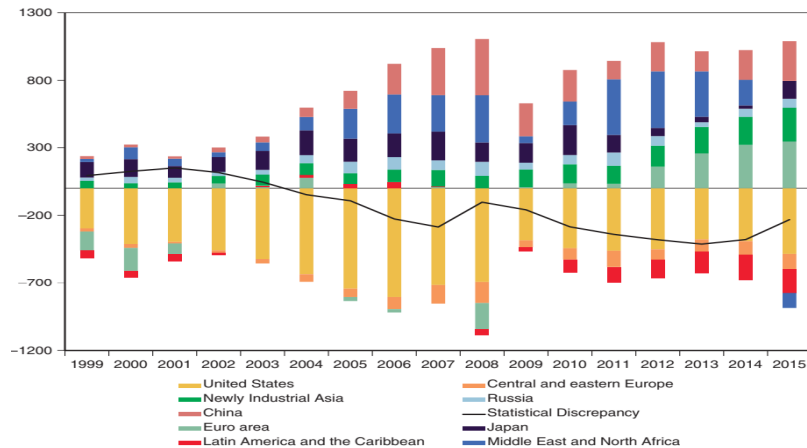
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5-4 外部平衡方面

Current account surplus
(deficit if negative),
billions of U.S. dollars



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5-4

- As (前圖) makes clear, the floating exchange rate system did not prevent large and persistent departures from external balance
 - True, China's refusal to allow a free float of its own currency is part of the story of the large global imbalances of the 2000s...
 - But even before China's emergence as a world economic power and before the creation of the euro, large current account deficits and surpluses, such as the U.S. deficit of the 1980s and Japan's persistent surpluses, certainly occurred
- Financial markets were evidently capable of driving exchange rates far from values consistent with external balance
 - 以美元為例，美元實質如同名目匯率一樣的變化大(見下圖)

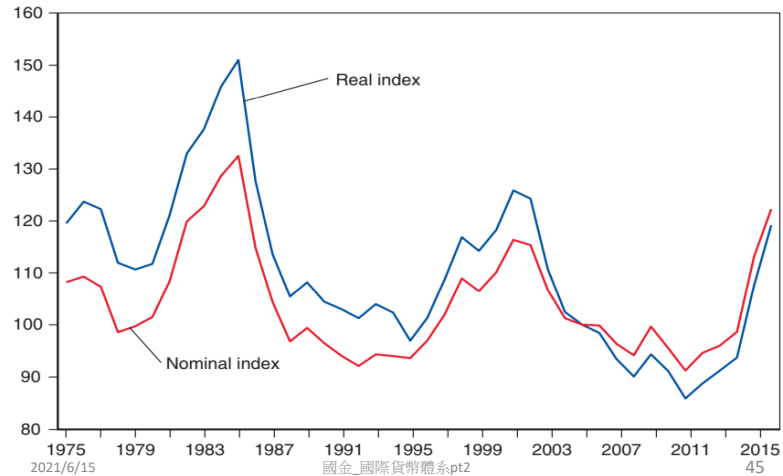
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美元實質與名目有效匯率指數(1975-2016)

U.S. dollar effective exchange rate index (2005 = 100)



5-4

- Under floating, external imbalances have persisted for years before exchange rates have adjusted
 - Long swings in real exchange rates that leave countries far from external balance are called *misalignments* (失準、失調、偏差), and they frequently inspire political pressures for protection from imports

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5-5 政策協調的問題

- Problems of international policy coordination clearly have not disappeared under floating exchange rates
 - in the sense that unilateral action by deficit countries to reduce their imbalances would lead to global **deflation**,
 - while surplus countries have little incentive to avoid that outcome by pumping up their internal demand and appreciating their currencies
- 按理， all countries can gain through international policy coordination
 - All countries would clearly benefit if they could commit to coordinating their policies rather than going it alone in beggar-thy-neighbor fashion
 - For example, during the disinflation of the early 1980s, industrial countries as a group could have attained their macroeconomic goals more effectively by negotiating a joint approach to common objectives

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5-5

- Another instance comes from the global fiscal response to the recession that the 2007–2009 crisis caused
 - When a country raises government spending, part of the expansionary impact leaks abroad (參見前述「外溢效果」)
 - The country will pay the cost of the policy, however, in the form of a higher government deficit
 - Since countries do not internalize all the benefits of their own fiscal expansions but pay the cost in full, they will adopt too little of it in a global recession (如同公共財)
 - If countries could negotiate an agreement *jointly* to expand, however, they might be more effective in fighting the recession (and they might even experience lower fiscal costs)

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5-5

- The response to the 2007–2009 crisis was discussed periodically by the Group of Twenty (G20) nations, an informal grouping of leading industrial and developing countries including Argentina, Brazil, China, India, and Russia
 - In the early stages of the crisis, there was widespread agreement on the fiscal response within the G20
 - Later on, as countries experienced *more divergent rates of recovery*, policy coordination became more difficult and G20 meetings yielded fewer concrete results

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6 固定匯率是否仍為選項之一

- Is there any practical alternative to floating exchange rates when financial markets are open to international trade?
- The post-Bretton Woods experience suggests (意味、暗示) a stark hypothesis: Durable fixed exchange rate arrangements may *not even be possible*
- In a financially integrated world in which funds can move instantly between national financial markets, fixed exchange rates cannot be credibly maintained over the long run unless countries are willing to maintain controls over capital movements (as China does), or, at the other extreme, move to a shared single currency with their monetary partners (as in Europe) (... these predictions follow from the trilemma)

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- This pessimistic view of fixed exchange rates is based on the theory that speculative currency crises can, at least in part, be self-fulfilling events (recall Chapter 7)
 - According to that view, even a country following prudent monetary and fiscal policies is not safe from speculative attacks on its fixed exchange rate (特別是又遭到經濟反轉時)
- At the turn of the 21st century, speculative attacks on fixed exchange rate arrangements—in Europe, East Asia, and elsewhere—were occurring with seemingly increasing frequency
 - crises lent increasing plausibility to the argument that it is impossible to peg currency values for long while maintaining open capital markets and national policy sovereignty

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- many countries outside the industrial world have allowed much greater exchange rate flexibility in recent years...
- Some countries appear to be moving toward either greater control over cross-border financial flows or more drastic sacrifices of monetary autonomy (for example, adopting the euro)
- It seems likely that policy coordination issues will be confronted in the future within a system in which different countries choose different policy regimes, subject to the constraints of the monetary trilemma

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