

---

# Exchange Rate Theory and Practice



A National Bureau  
of Economic Research  
Conference Report

---

# Exchange Rate Theory and Practice

Edited by

John F. O. Bilson  
and  
Richard C. Marston



The University of Chicago Press  
*Chicago and London*

The University of Chicago Press, Chicago 60637  
The University of Chicago Press, Ltd., London

© 1984 by The National Bureau of Economic Research  
All rights reserved. Published 1984  
Paperback edition 1988  
Printed in the United States of America  
97 96 95 94 93 92 91 90 89 88 65432

Library of Congress Cataloging in Publication Data  
Main entry under title:

Exchange rate theory and practice.

(A Conference report / National Bureau of Economic Research)

Papers presented at a conference held in Jan. 1982  
at the Rockefeller Foundation's Bellagio Conference  
Center on Lake Como in northern Italy, and sponsored  
by the National Bureau of Economic Research.

Includes bibliographical references and index.

I. Foreign exchange—Congresses. I. Bilson, John  
F. O. II. Marston, Richard C. III. National Bureau of  
Economic Research. IV. Series: Conference report  
(National Bureau of Economic Research)

HG205 1984 332.4'5 84-2441  
ISBN 0-226-05096-3 (cloth); 0-226-05097-1 (paper)

---

## National Bureau of Economic Research

### Officers

Walter W. Heller, *chairman*  
Franklin A. Lindsay, *vice-chairman*  
Eli Shapiro, *president*

David G. Hartman, *executive director and corporate secretary*  
Charles A. Walworth, *treasurer*  
Sam Parker, *director of finance and administration*

### Directors at Large

Moses Abramovitz  
George T. Conklin, Jr.  
Jean A. Crockett  
Morton Ehrlich  
Edward L. Ginzton  
David L. Grove  
Walter W. Heller

Saul B. Klamman  
Franklin A. Lindsay  
Roy E. Moor  
Geoffrey H. Moore  
Michael H. Moskow  
James J. O'Leary  
Peter G. Peterson

Robert V. Roosa  
Richard N. Rosett  
Bert Seidman  
Eli Shapiro  
Stephen Stamas  
Lazare Teper  
Donald S. Wasserman  
Marina v.N. Whitman

### Directors by University Appointment

Charles H. Berry, *Princeton*  
Otto Eckstein, *Harvard*  
Walter D. Fisher, *Northwestern*  
J. C. LaForce, *California, Los Angeles*  
Paul McCracken, *Michigan*  
Ann F. Friedlaender, *Massachusetts Institute of Technology*  
Almarin Phillips, *Pennsylvania*

James L. Pierce, *California, Berkeley*  
Nathan Rosenberg, *Stanford*  
James Simler, *Minnesota*  
James Tobin, *Yale*  
William S. Vickrey, *Columbia*  
Dudley Wallace, *Duke*  
Burton A. Weisbrod, *Wisconsin*  
Arnold Zellner, *Chicago*

### Directors by Appointment of Other Organizations

Carl F. Christ, *American Economic Association*  
Gilbert Heebner, *National Association of Business Economists*  
Robert C. Holland, *Committee for Economic Development*  
Stephan F. Kaliski, *Canadian Economics Association*  
Douglass C. North, *Economic History Association*

Rudolph A. Oswald, *American Federation of Labor and Congress of Industrial Organizations*  
Joel Popkin, *American Statistical Association*  
G. Edward Schuh, *American Agricultural Economics Association*  
Albert Sommers, *The Conference Board*  
Charles A. Walworth, *American Institute of Certified Public Accountants*

### Directors Emeriti

Arthur F. Burns  
Emilio G. Collado  
Solomon Fabricant  
Frank Fetter

Thomas D. Flynn  
Gottfried Haberler  
George B. Roberts  
Murray Shields

Boris Shishkin  
Willard L. Thorp  
Theodore O. Yntema

Since this volume is a record of conference proceedings, it has been exempted from the rules governing critical review of manuscripts by the Board of Directors of the National Bureau (resolution adopted 8 June 1948, as revised 21 November 1949 and 20 April 1968).

This Page Intentionally Left Blank