

# **Comments on Ito and Park**

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## Hard to survey a survey (of surveys)!

- Many fine economists wrote the underlying seven studies
- Massive disagreement in the large and the small in the underlying studies
- Well summarized by Ito and Park
  - Nice taxonomy of exchange rate regimes
  - Clear description of potential for disagreement independent of underlying ideology/methodology
    - Personally, I'm a Keynesian who believes the exchange rate is often a source of noise

## **A few issues still outstanding**

- EMU and secession?
  - Possibly just adaptation of the rules
    - Clearest example: stability pact
- Could be clearer on the  $n/n-1$  problem
  - Not an obvious source of gain (Rogoff: can lose)

- Would like more quantification of gains from exchange rate stability
  - Negligible in literature empirically; theoretically weak (derivatives markets); is fear of floating irrational?
- Reserve pooling seems like a source of gains
  1. Large?
  2. Issues with sovereignty?

## Policy Recommendations

- Unclear to me that Asia is heading towards currency union even in long run
- Political support for CU must be large, currently lacking
- Possibly because gains don't seem large/clear
  - Lessons from EMU will be very important
  - “Wait and see” attitude seems reasonable
- Regional rivalries still large
- Seems too clear: AMS (with ACU) seems easier
- Overall: need more Asian quantification!