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
  o Nice taxonomy of exchange rate regimes
  o 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?
  o Possibly just adaptation of the rules
    ▪ Clearest example: stability pact
• Could be clearer on the n/n-1 problem
  o Not an obvious source of gain (Rogoff: can lose)
• Would like more quantification of gains from exchange rate stability
  o 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!