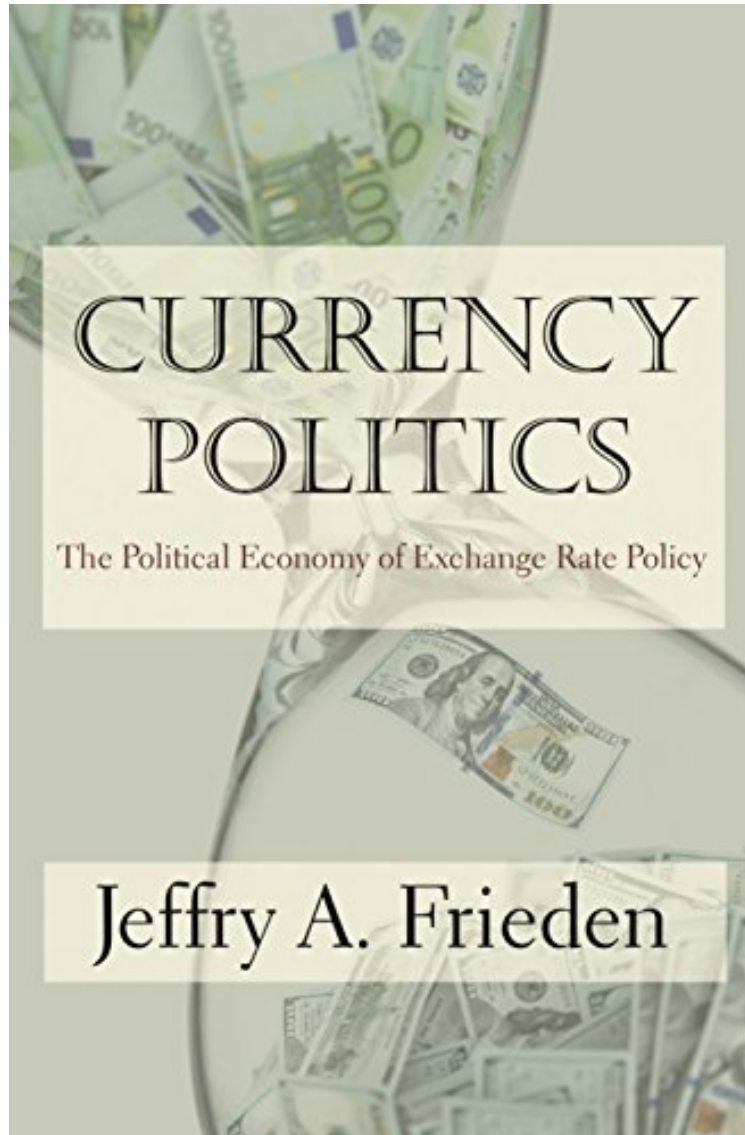


Currency Politics: The Political Economy of Exchange Rate Policy

Jeffry A. Frieden

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Jeffry A. Frieden : Currency Politics: The Political Economy of Exchange Rate Policy before purchasing it in order to gage whether or not it would be worth my time, and all praised Currency Politics: The Political Economy of Exchange Rate Policy:

0 of 0 people found the following review helpful. Wonderful and easy to readBy derek easleyI absolutely loved the historical narrative behind currency decisions made by governments. I especially enjoyed reading about the Latin American policies and the crises that ensued from those decisions. I could do without the statistical analysis, but I understand the author wants to support his theory. Otherwise, it's a fantastic book.5 of 6 people found the following

review helpful. Overview of currency politics in late 19th century US and late 20th century Europe and Latin America

By A. Menon

Currency Politics is a subject of heightened interest today given the global economic backdrop. Jeffrey Frieden gives a perspective on the political economy nature of currency politics by outlining the relevant economics and then analyzing the political ramifications in some specific illuminating cases. The author looks at examples from the US, the Europe and LATAM and discusses how various constituencies see the role of currency. The work is interesting and some of the statistical tests used are on fairly unique data sets and the reader should come through the work with a stronger sense of how various interests can impact how currency issues are handled domestically. The author first introduces some of the economic issues around currency like the impact on the tradable sector and non-tradable sector and how the currency distributes benefits between the two; the author also highlights the nuances of a tradable sector's interest as a function of where the product is in the supply chain. The author discusses the role of foreign debt as well as the financial sector and the consumer broadly. The author first discusses the politics of resuming the gold standard at the end of the Civil War. There was an uncertainty regarding whether contracts denominated in greenbacks would be paid in gold at the pre-civil war fixed gold rate. The author discusses how regionally there were differing interests and how the north east was focused on global business confidence and the resumption of the gold standard as financial transactions volumes were a function of being on the gold standard. The agricultural sector inland was very much focused on bi-metallism as the late part of the 19th century was mired in commodity deflation which was eating away their real earnings. The author analyzes the politics the exchange rates by looking at congressional voting patterns to see if they capture geographic interests. The analysis highlights the focus on things like bimetallism was might greater during the commodity deflation. The author then discusses the EU and mainly the EMU. The history of the snake is discussed and the history of how France, the UK and Italy needed to repeg after sustained higher domestic inflation eroded competitiveness. The author discusses how maintaining a close relationship with the DM was a function of the makeup of the economy and consequently there was a fairly strong difference between northern and southern Europe. The statistics in this chapter are of weak interest and basically just confirm consensus macroeconomic thought, ie higher domestic inflation leads to real appreciation that increases the likelihood of repeg. The statistics on the EU are very weak in my opinion as the US case focuses on the core idea the author discusses - currency politics and uses voting records to highlight the point, the EU seems included because its topical, not because the author has studied the political economy to anywhere the same degree. The Latam section is better than Europe but not up to the standard of the US chapters. The author discusses the history of Latam in the 20th century with a focus on Brazil, Argentina and some Mexico. The author discusses how post Bretton Woods unanchored inflation and that pegging helped to tame inflation but did so with a lagged effect that led to real appreciated currencies that eventually had to devalue. The author contrasts Brazil to Argentina which devalued earlier, in the late 90s which far less drastic consequences than Argentina, which remains effectively restricted from capital markets. The author discusses how in Latam the voter/consumer is a strong reason for delaying depreciations and how in investment led more autocratic regimes in Asia it was manufacturing that dominated the politics. The author shows how in Latam there is a increased likelihood of devaluation post and election vs decreased probability before. The author also does similar regression statistics on the economies in Latam but looks at the properties of the countries rather than constituents within countries to make guesses about the currency regimes they would choose. Currency Politics is a reminder that currency regimes are a political choice and both the organization of the economy as well as the distribution of power will strongly influence economic decisions about the currency. The author's examples are interesting but frankly the US one is the only one which really is original with respect to his thesis. The EU and Latam are much more weakly argued and I found them interesting only for the history not for the statistics. Either way though the subject matter is topical and the examples used will help frame people's discussion. I recommend reading it but in my opinion the analysis of the US is by far the strongest.

1 of 2 people found the following review helpful. Five Stars

By Alejandro Bedoya

A must!

The exchange rate is the most important price in any economy, since it affects all other prices. Exchange rates are set, either directly or indirectly, by government policy. Exchange rates are also central to the global economy, for they profoundly influence all international economic activity. Despite the critical role of exchange rate policy, there are few definitive explanations of why governments choose the currency policies they do. Filled with in-depth cases and examples, Currency Politics presents a comprehensive analysis of the politics surrounding exchange rates. Identifying the motivations for currency policy preferences on the part of industries seeking to influence politicians, Jeffrey Frieden shows how each industry's characteristics—including its exposure to currency risk and the price effects of exchange rate movements—determine those preferences. Frieden evaluates the accuracy of his theoretical arguments in a variety of historical and geographical settings: he looks at the politics of the gold standard, particularly in the United States, and he examines the political economy of European monetary integration. He also analyzes the politics of Latin American currency policy over the past forty years, and focuses on the daunting currency crises that have frequently debilitated Latin American nations, including Mexico, Argentina, and Brazil. With an ambitious mix of narrative and statistical investigation, Currency Politics clarifies the political and economic determinants of

exchange rate policies.

"The book is readable for both economists and political scientists. I recommend Currency Politics to both sets of scholars. Economists will learn about the political aspects of exchange-regime choice and political scientists about the economic aspects."--Lawrence H. Officer, EH.Net

"In Currency Politics, a quarter century of scholarly rumination has been distilled in one definitive treatment. . . . His attention to detail is remarkable, and wherever the data permit, he backs his qualitative discussion with solid quantitative analysis. . . . Readers unfamiliar with any of these episodes will find the treatment enlightening, even fascinating."--Benjamin J. Cohen, Journal of Economic Literature

"A considered and compelling case for the relevance of political economy to explaining currency policy. . . . Explains monetary economics with such clarity that it is unusually accessible. . . . Think of it as occupying the middle ground between pop economics titles, like Freakonomics, and more formidable volumes, such as Thomas Piketty's Capital in the Twenty-First Century."--Jenny McArthur, LSE of Books

"Frieden undertakes careful examination of currency politics. . . . [M]eticulous [and] well-informed. . . . Recommended."--Choice From the Back Cover

"This is international political economy as it should be. Frieden presents a sturdy framework that shows why various interest groups ought to favor strong or weak currencies, and stable or flexible exchange rates. His book's convincing applications of this framework range from sectional politics in nineteenth-century America, to today's eurozone divisions, to the vicissitudes of emerging markets."--Jeffrey Frankel, Harvard University

"In Currency Politics, Frieden not only draws together beautifully the strands of his previous work, but he advances a new and entirely persuasive explanation of the euro project as an essential bulwark against competitive devaluations. Above all, he argues convincingly for the centrality of exchange rate policy to domestic politics, international relations, and macroeconomics in open economies."--Ronald Rogowski, University of California, Los Angeles

"This excellent book is for anyone who has ever wondered about the origins of the Eurozone, the causes of the currency crises, and the importance of the classical gold standard. Frieden combines lively historical narratives with statistical analyses to show that currency politics are pretty much the same across time and space. No other author could bring out the common threads running through the book's cases so clearly." --J. Lawrence Broz, University of San Diego

"Currency Politics is an ambitious book on an important topic. Frieden is one of the best political economists and one of the best scholars writing on this subject."--Sebastian Edwards, University of California, Los Angeles and author of Toxic Aid

"An authoritative treatment of the political economy of exchange rates by the leading international political economist specializing in this subject."--Barry Eichengreen, University of California, Berkeley

About the Author Jeffrey A. Frieden is professor of Government at Harvard University and the author of many books, including Debt, Development, and Democracy (Princeton).