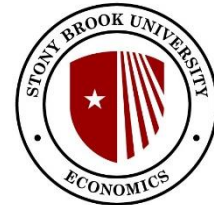


Department of Economics
2024-2025
Seminar Series



Monday, October 28, 2024
12:30 PM-1:50 PM
SBS, Room N603

Diego Perez

Associate Professor, NYU
Research Associate, NBER

The Exchange Rate as an Industrial Policy

We study the role of exchange rates in industrial policy. We construct an open-economy macroeconomic framework with production externalities and show that the desirability of these policies critically depends on the dynamic patterns of externalities. When they are stronger in earlier stages of development, economies that are converging to the technological frontier can improve welfare by intervening in foreign exchange markets, keeping the exchange rate undervalued, and speeding the transition; economies that are not converging to the technological frontier are better off not using the exchange rate as an industrial policy tool. A quantitative analysis of China's take-off shows that the optimal exchange rate industrial policy significantly stimulates output in the first decades of the transition and has similar welfare effects as other conventional industrial policies.

Authors: Pablo Ottonello, Diego J. Perez, William Witheridge

All in-person seminars will be held in the Social and Behavioral Sciences Building, Room N603. For additional information, contact the seminar organizers: Profs. Chang Liu & Eva Carceles-Poveda. Visit our webpage for additional information: stonybrook.edu/economics.

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