

## Accepted Manuscript

Title: Exchange rate and macroeconomic adjustment in southern eurozone countries

Authors: José García-Solanes, Fernando Torrejón-Flores, Irene Ródenas-Monedero



PII: S0939-3625(17)30057-2  
DOI: <http://dx.doi.org/doi:10.1016/j.ecosys.2016.12.006>  
Reference: ECOSYS 619

To appear in: *Economic Systems*

Received date: 18-12-2015  
Revised date: 16-12-2016  
Accepted date: 26-12-2016

Please cite this article as: García-Solanes, José, Torrejón-Flores, Fernando, Ródenas-Monedero, Irene, Exchange rate and macroeconomic adjustment in southern eurozone countries. *Economic Systems* <http://dx.doi.org/10.1016/j.ecosys.2016.12.006>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

## Exchange rate and macroeconomic adjustment in southern eurozone countries

José García-Solanes<sup>a,\*</sup>, Fernando Torrejón-Flores<sup>b</sup> and Irene Ródenas-Monedero<sup>c</sup>

*<sup>a</sup>Facultad de Economía y Empresa, Campus de Espinardo, Universidad de Murcia, 30100 Murcia*

*<sup>b</sup>Universidad Católica de Murcia*

*<sup>c</sup>Bank of Spain*

\* Corresponding author. *E-mail address:* solanes@um.es

### Abstract

In this paper, we estimate panel cointegration and VEC models to show that, during the pre-euro period, devaluation and/or depreciation of the domestic currency were a recurrent weapon for macroeconomic adjustment in Greece, Italy, Spain and Portugal. Moreover, we perform panel Penn-effect regressions using a sample of 114 countries to prove that during the period 1970-2011 the four countries incurred misalignments of remarkable size and variability in their real exchange rates. All in all, our results reveal that for several decades the four countries needed to use their nominal exchange rate as a tool of macroeconomic adjustment. Since variations of the nominal exchange rate within the EMU are no longer an option, the four southern eurozone countries should accomplish the necessary structural reforms to avoid new and painful internal devaluations in the coming years.

*Keywords:* Real exchange-rate misalignment, Panel cointegration and VEC models, Cross-sectional dependence, Penn effect

*JEL classification:* E32, F02, F04

Download English Version:

<https://daneshyari.com/en/article/7348055>

Download Persian Version:

<https://daneshyari.com/article/7348055>

[Daneshyari.com](https://daneshyari.com)