

**Conference on Microeconomic Sources of Real
Exchange Rate Behavior**

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Discussion of

**“Aggregate Real Exchange Rate Persistence
through the Lens of Sectoral Data”**

by Maroyal and Gadea

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Comments on Rogoff's "Remarkable Consensus" of 3-5 year half-lives

The 3-5 year "interval" is a collection of poorly behaved point estimates.

Univariate aggregate real exchange rates

Murray and Papell (2002 *JIE*), Rossi(2005 *JBES*), (Murray and Papell (2005 *EE*) and Lopez, Murray and Papell (maybe never to be published...)) document much longer half-lives and wide confidence intervals.

- For Alan Taylor's (1996 *ReStat*) long term data, the typical half-life confidence interval is [2.86, 21.24] years.
- For post Bretton-Woods data, the typical half-life confidence interval is [1, ∞) years.

Multivariate aggregate post Bretton-Woods floating real exchange rates

- Murray and Papell (2005 *JBES*) find a panel half-life confidence interval of around 3-5 years.

Comments on Rogoff's "Remarkable Consensus" of 3-5 year half-lives, continued

Disaggregated Data

Many authors (some of whom are present) have recently documented much smaller half-lives than 3 years for sectoral real exchange rates.

Table 1 & Figure 1. Real Exchange Rate Persistence with Aggregate and Sectoral Data

- Half-Life Point Estimates

Half-life point estimates for aggregate and sectoral data are similar for 6/10 RERs.

For Finland, Germany, Italy, and Spain, aggregate RER half-lives are between 1.5 and 3 times larger (not statistically).

The statistical insignificance of the differences may be due to the short span of data.

- Half-Life Confidence Intervals

For sectoral data, upper bounds (based on the IRF) are finite, and typically below 5 years.

For aggregate data, 7/10 upper bounds appear to be infinite.

Infinitely wide (uninformative) intervals should be expected for short aggregate RERs