Growth Impacts of the Exchange Rate and Technology

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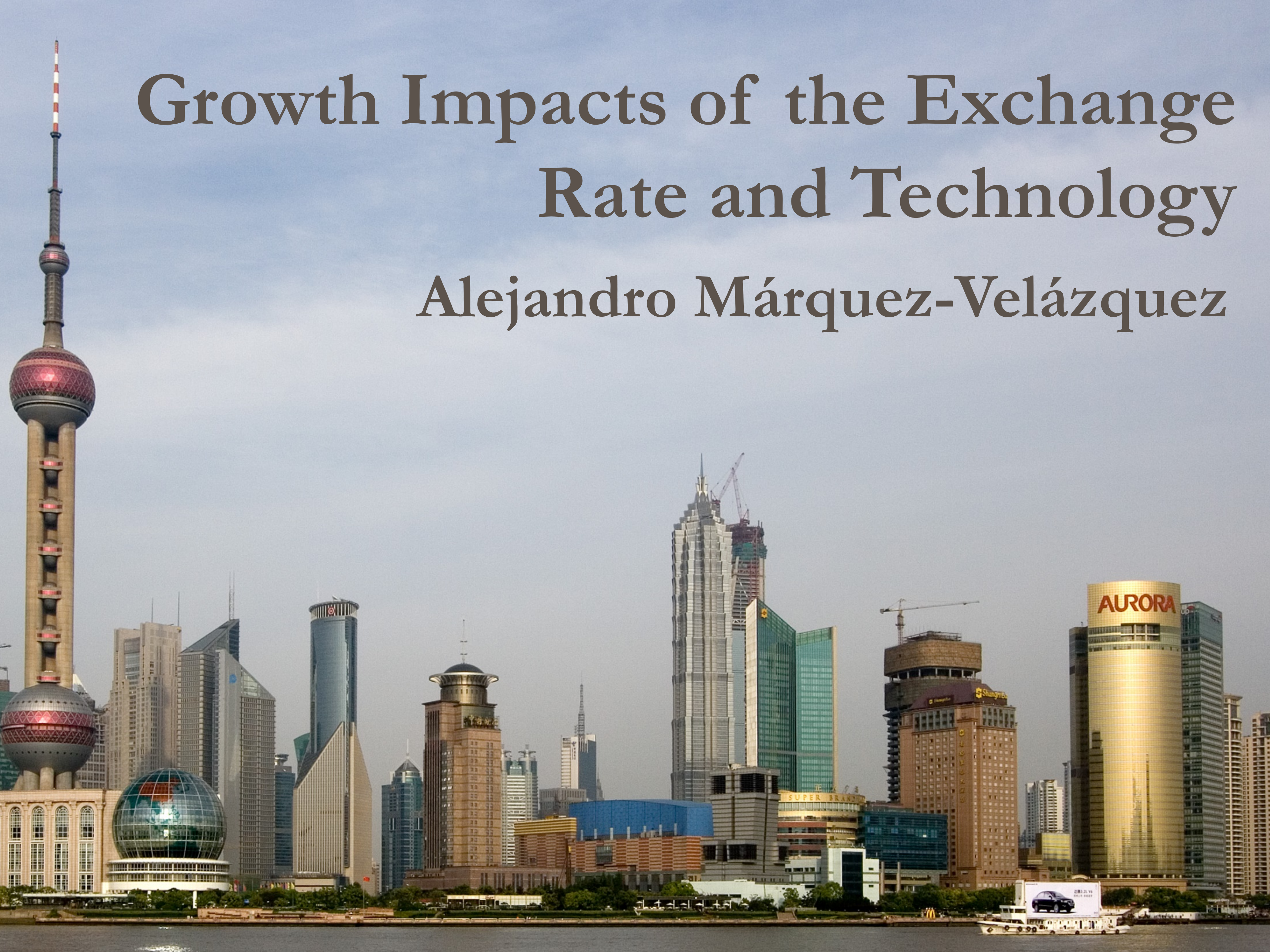
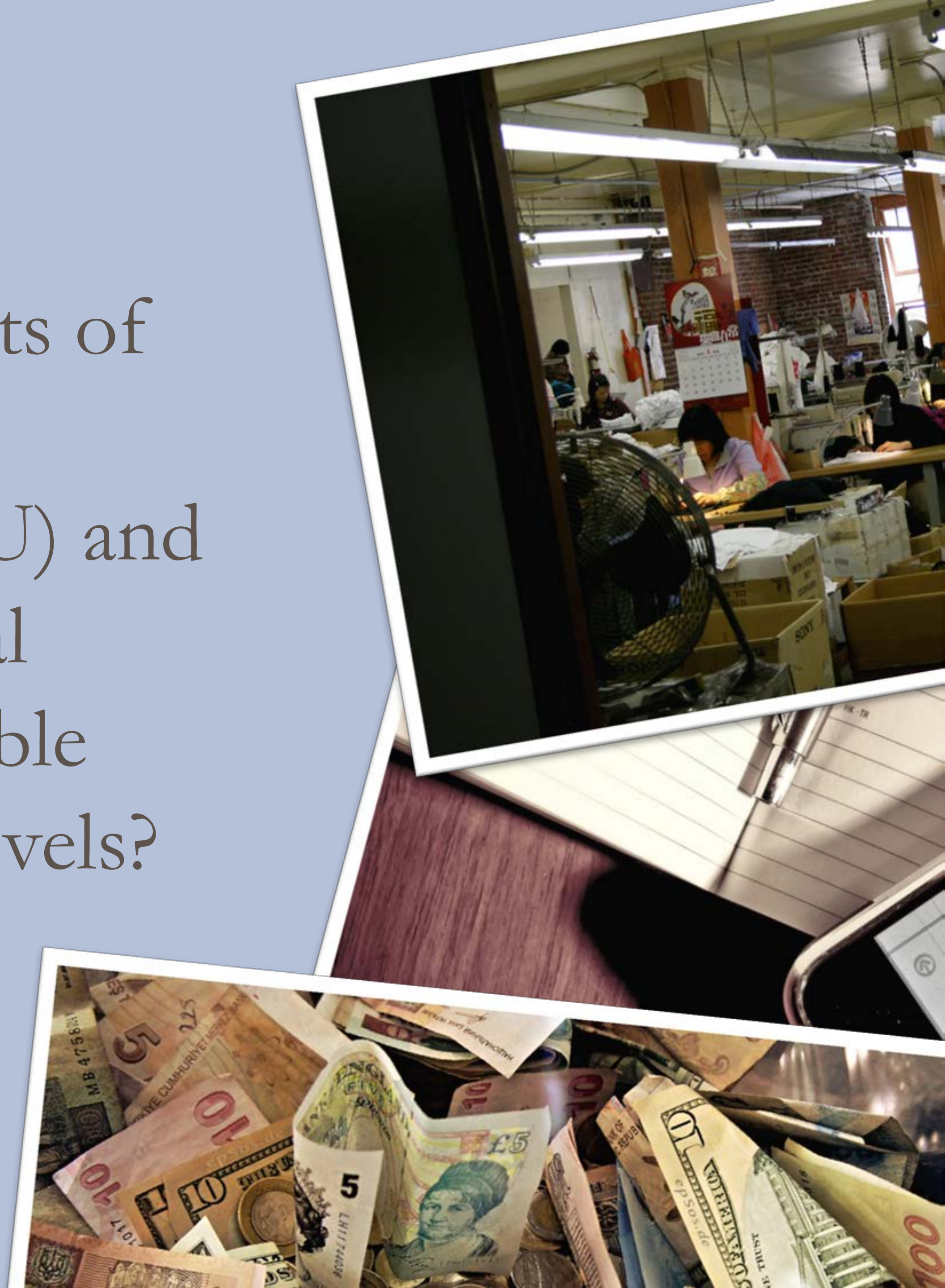
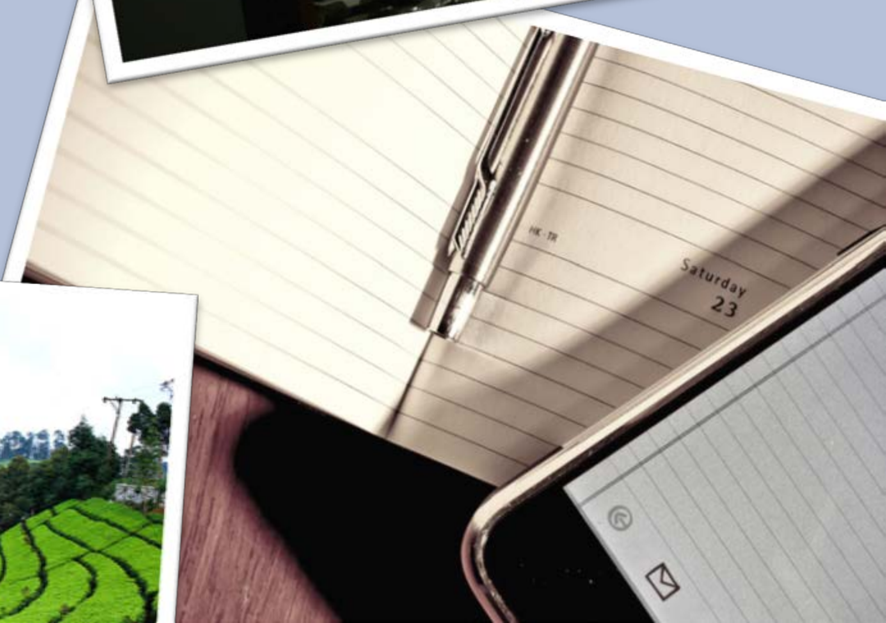


Are the growth impacts of real exchange rate undervaluation (RERU) and domestic technological capabilities (DTC) stable across development levels?



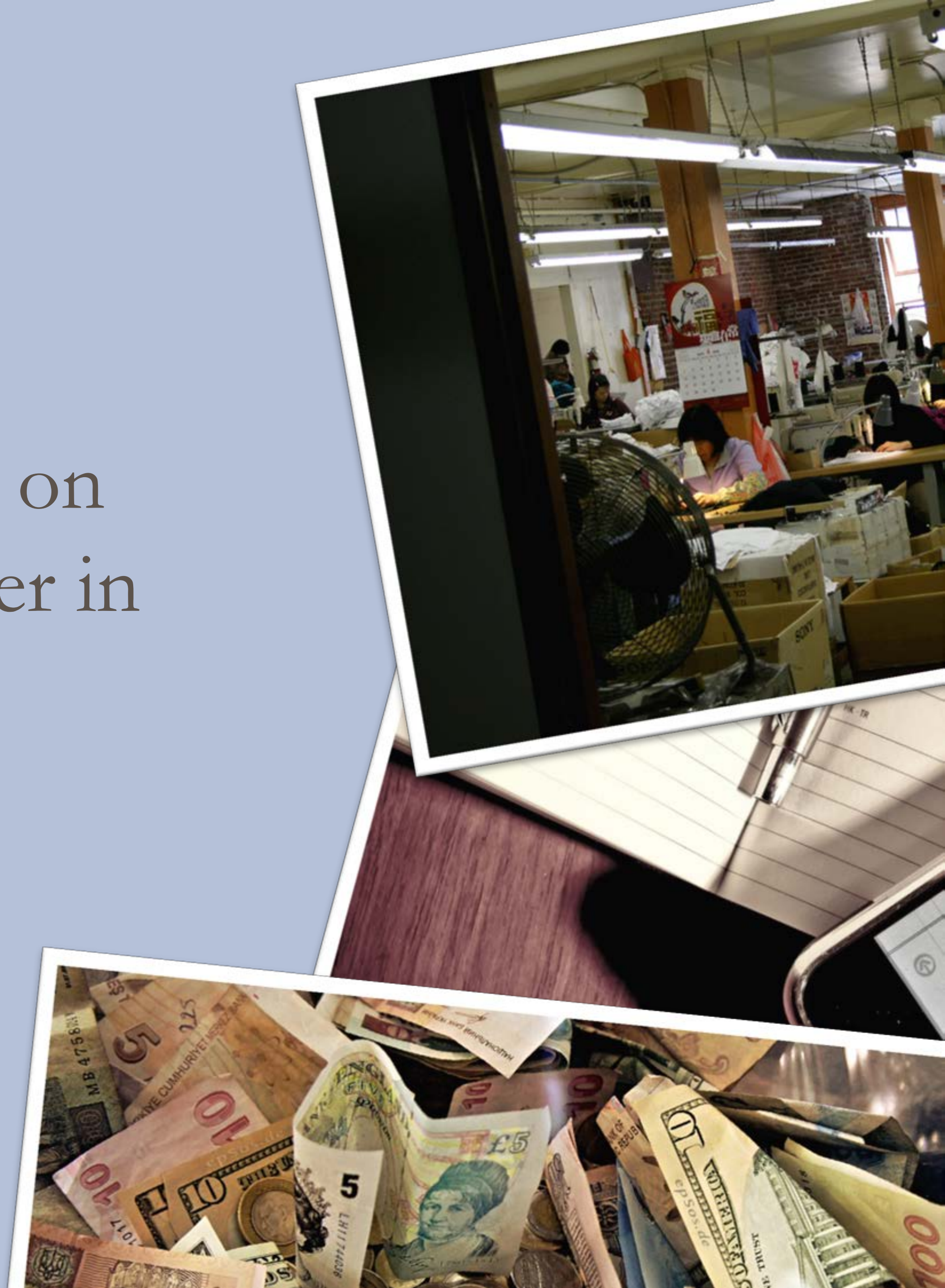
Promoted industries should be adapted to the country's domestic technological capabilities

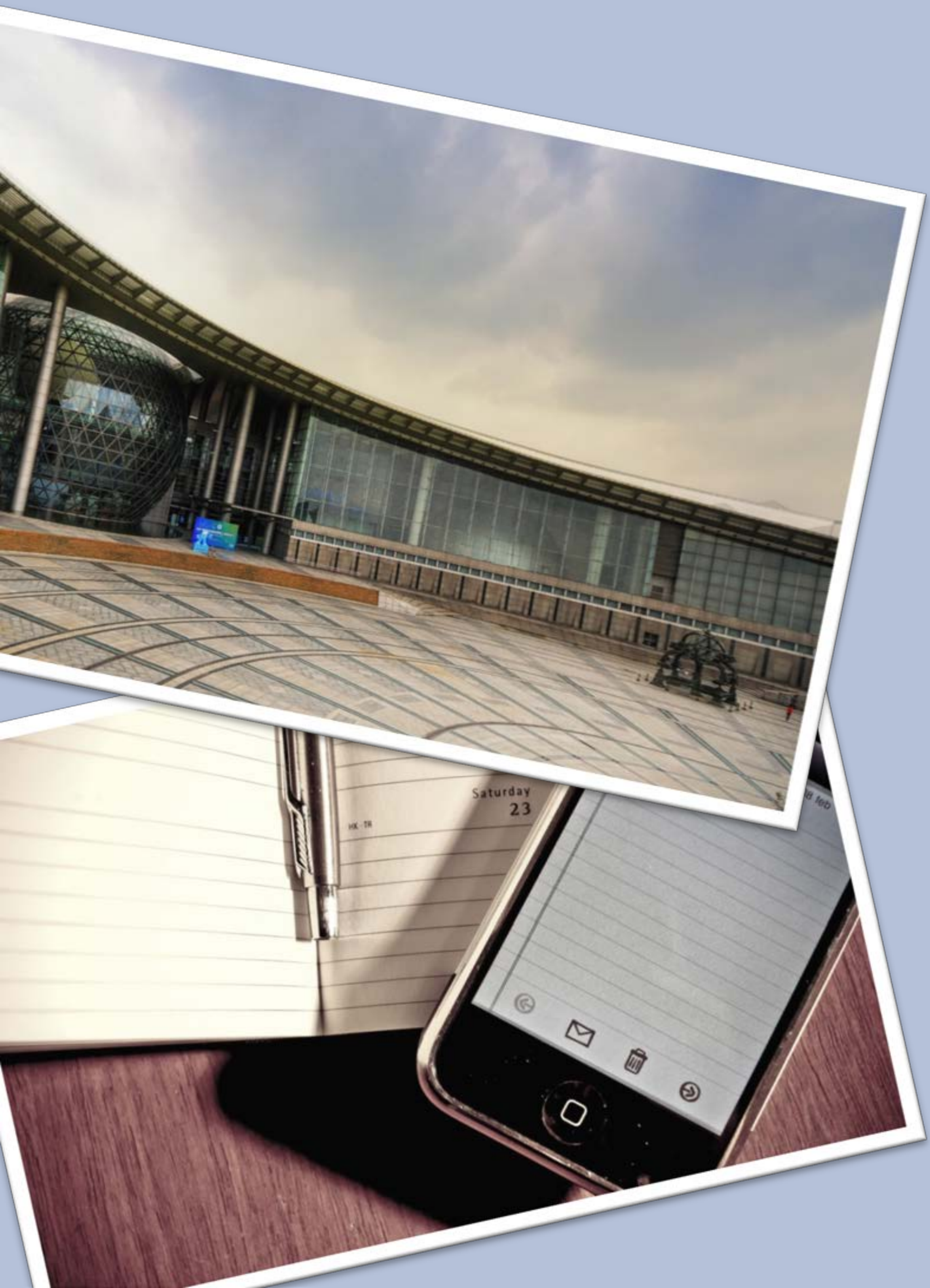


Low-income countries that specialize in natural resource intensive and low-technology industries should grow faster, ceteris paribus.

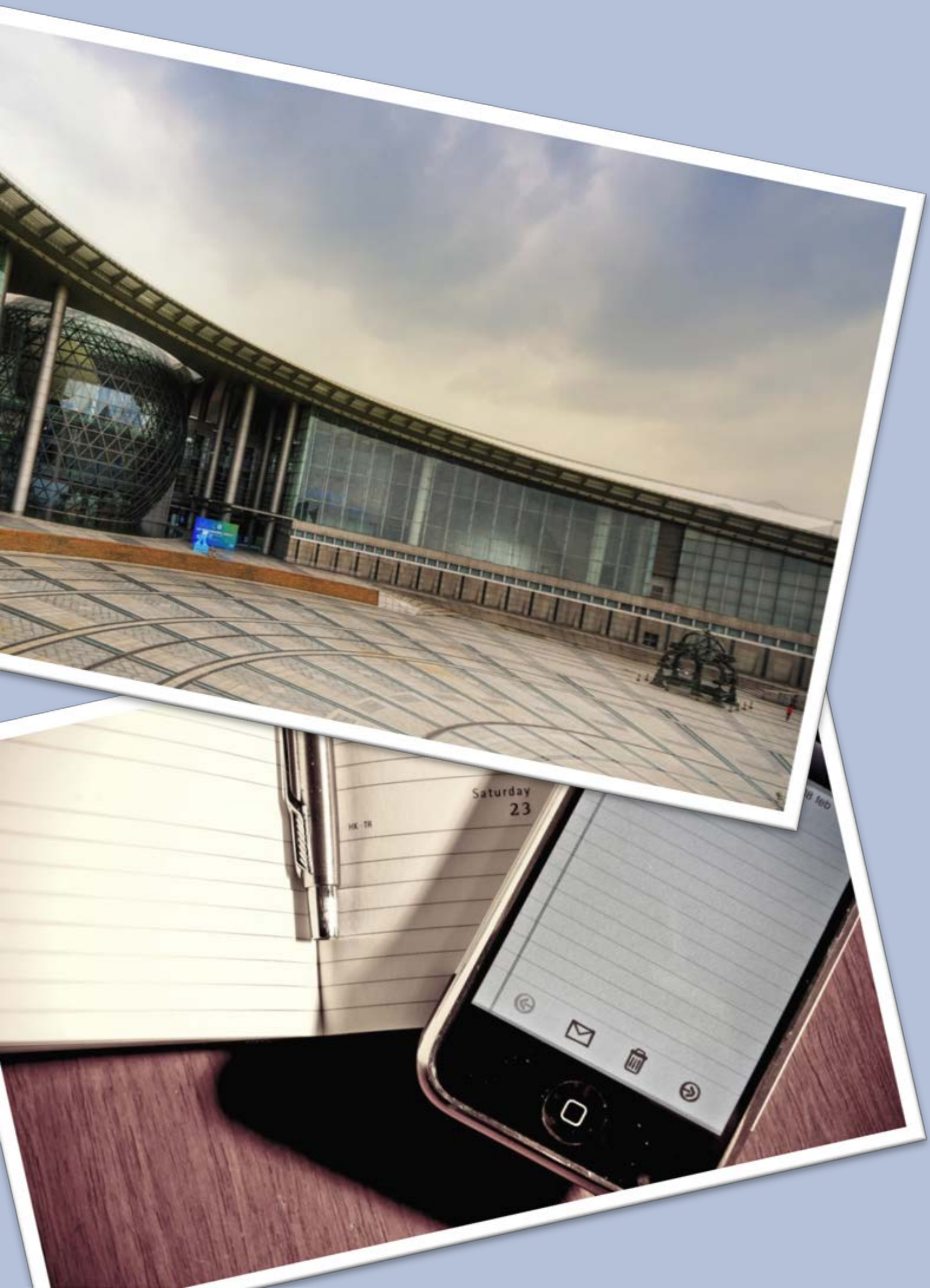
Catching-up low-income countries from Asia started climbing the industrial ladder with low-technology manufacturing goods.

The impact of RERU on growth should be lower in emerging markets.





Successful emerging markets will compete more and more with developed countries



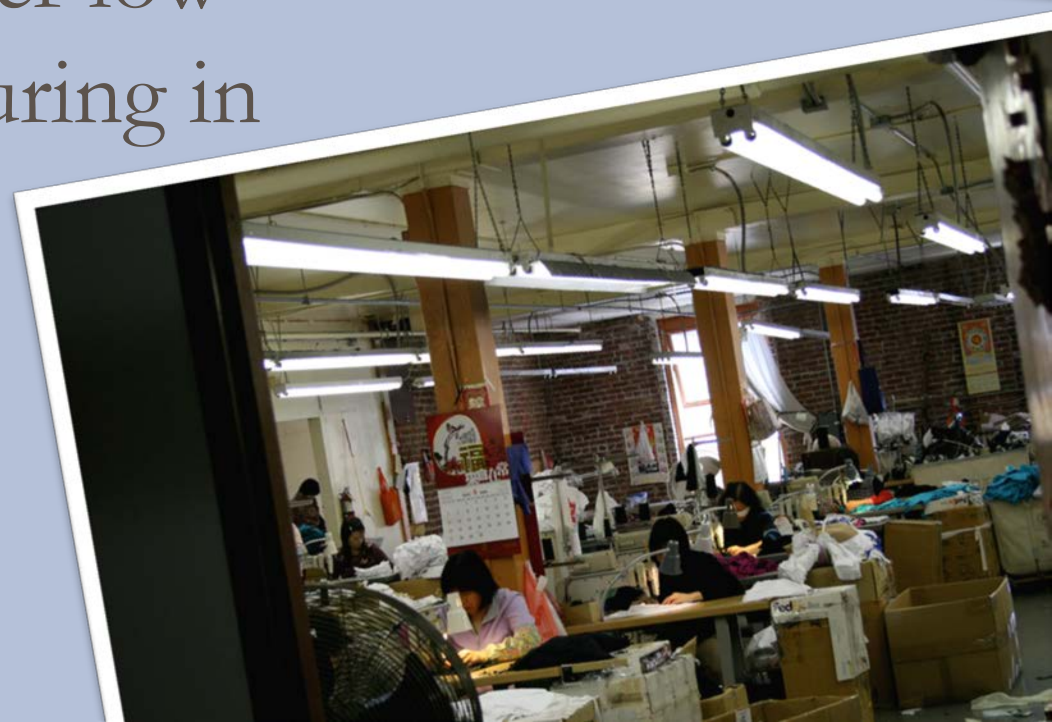
Fixed effects time-series–cross–section regressions of the growth rate over RERU and the Index of Technological Specialization (ITS)

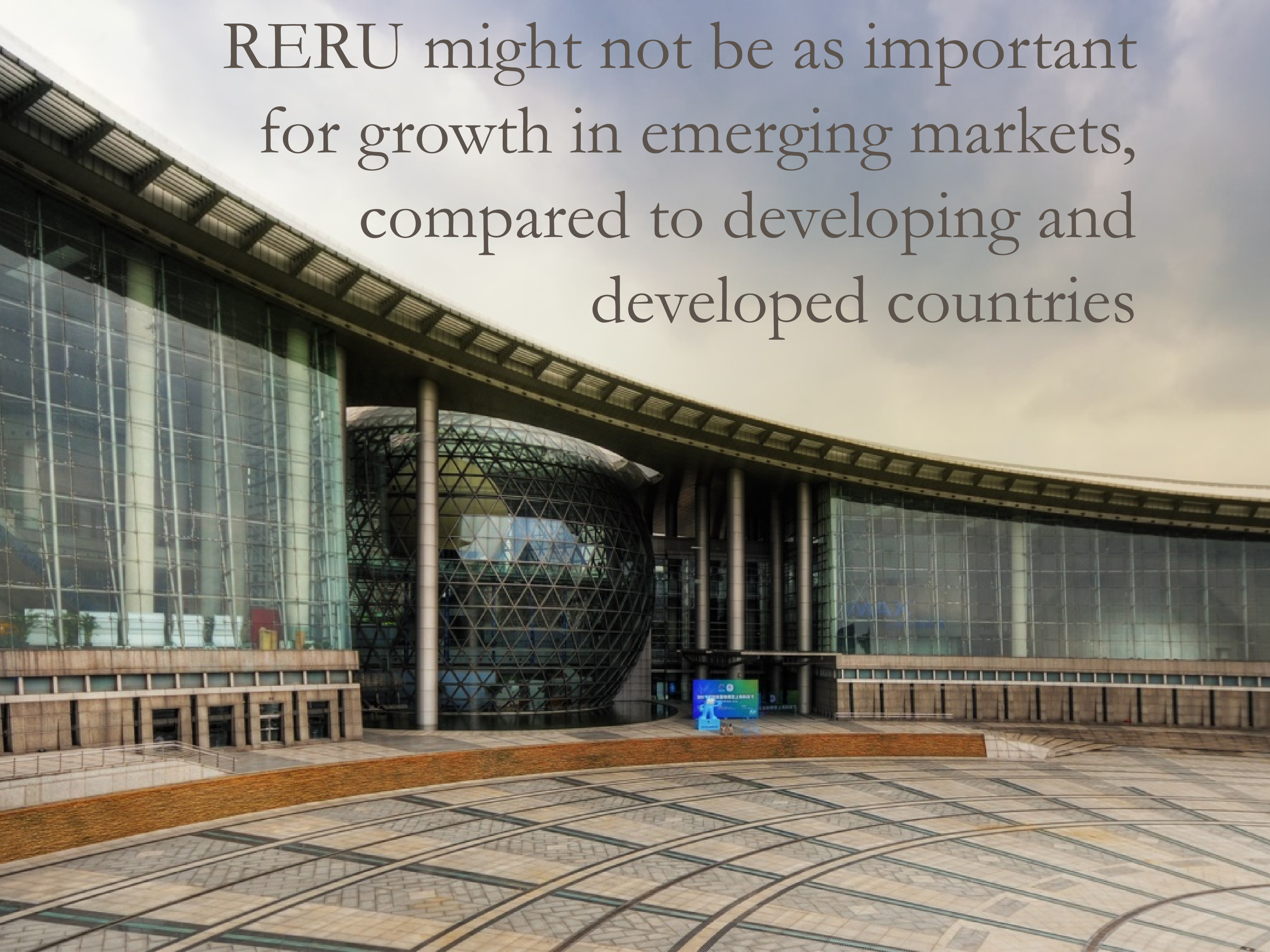
Structure of the Presentation

1. Introduction
2. Reassessing the Literature's Lessons
3. Evidence of the Relevance of the Development Level
4. Conclusion and Future Research Endeavors

The Balassa-Samuelson corrected PPP theory of equilibrium RER leaves more room for misalignments than the fundamentals theory

RERU promotes rather low-technology manufacturing in poor countries




RERU might not be as important for growth in emerging markets, compared to developing and developed countries

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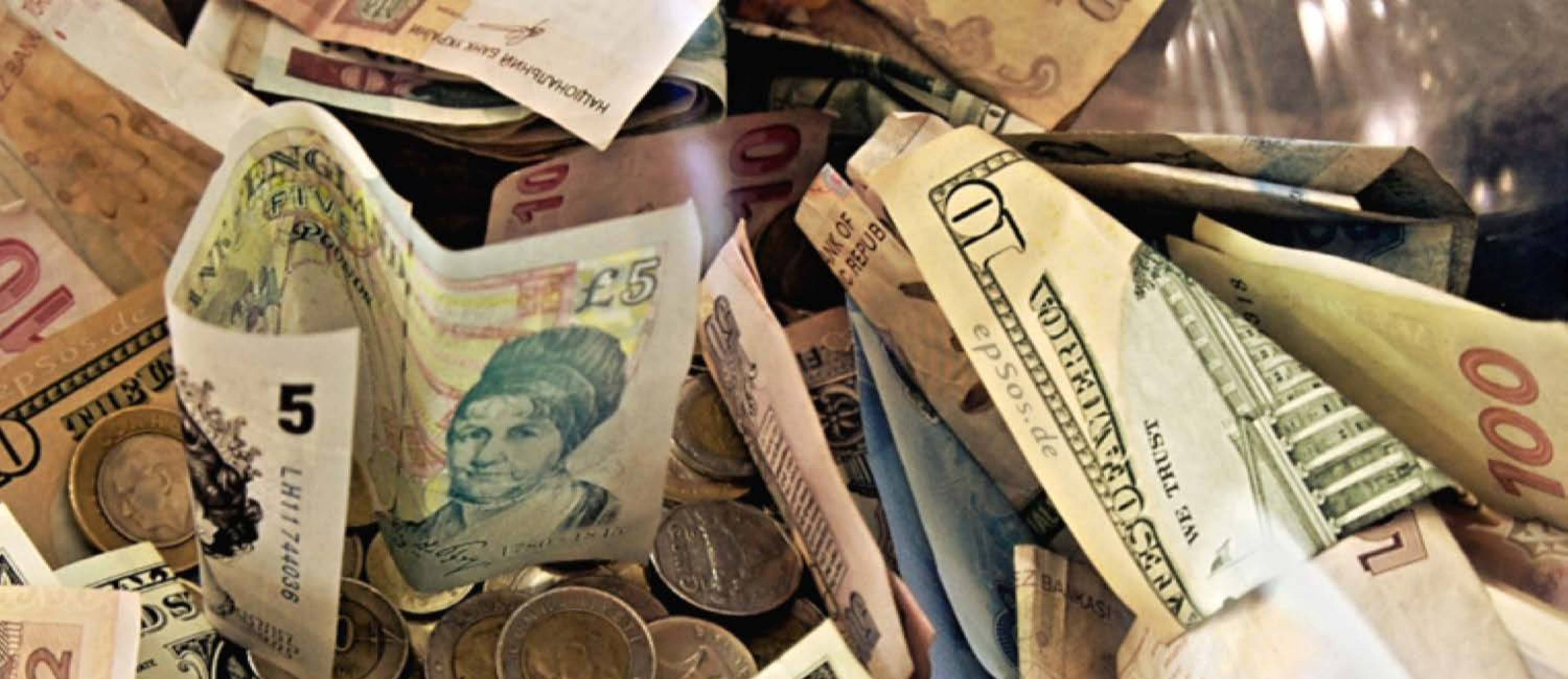
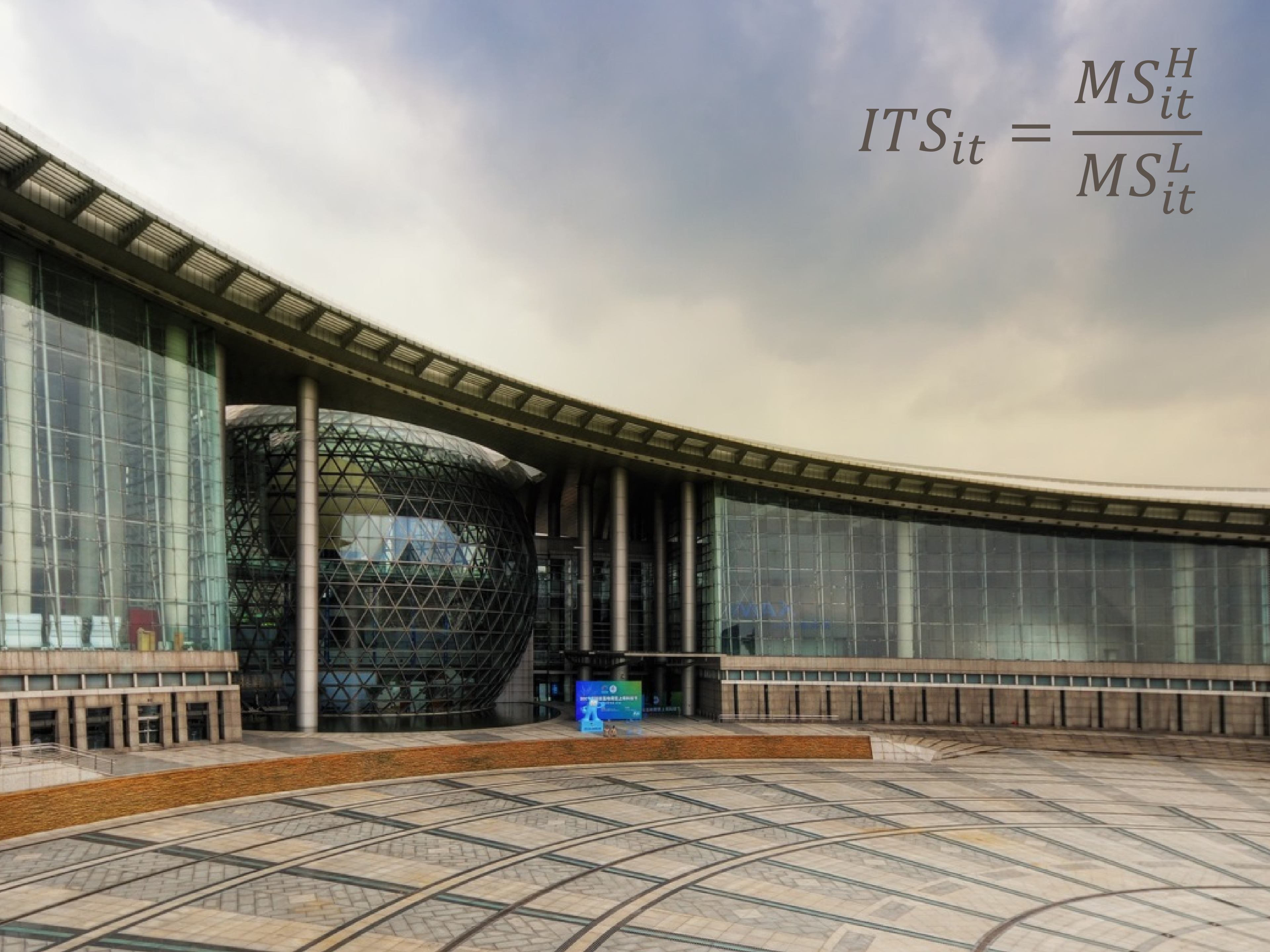
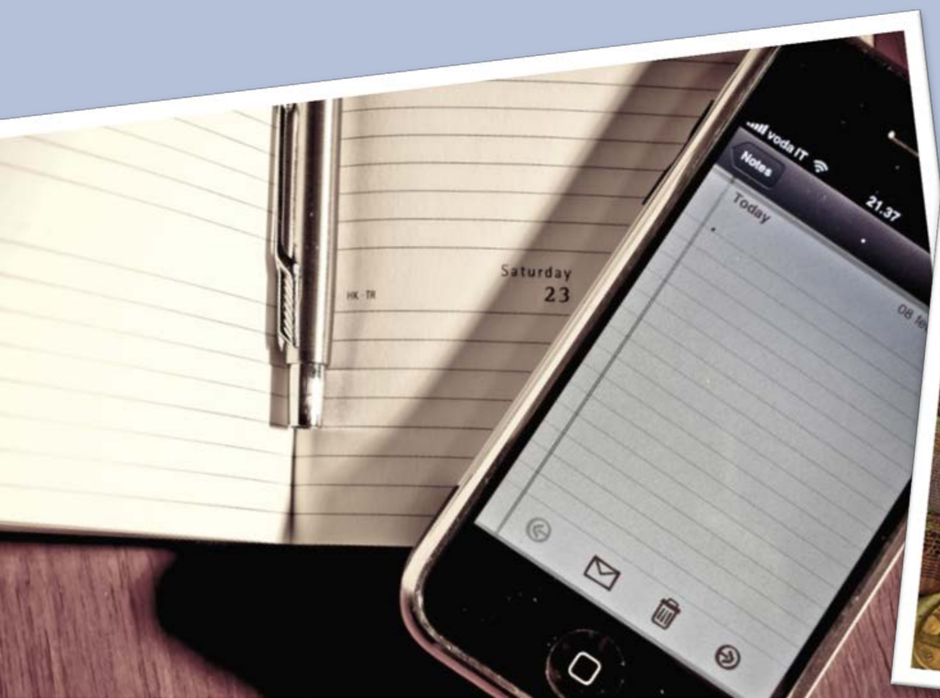


$$\ln RER_{i,t} = \beta_0 + \beta_1 \ln RGDPCH_{i,t} + y_t + \varepsilon_{i,t}$$



$$ITS_{it} = \frac{MS_{it}^{H}}{MS_{it}^{L}}$$

Empirical results support hypotheses of RERU being a less important growth driver in emerging markets and that over-specialization in mid- and high-technology sectors hurts growth in developing countries



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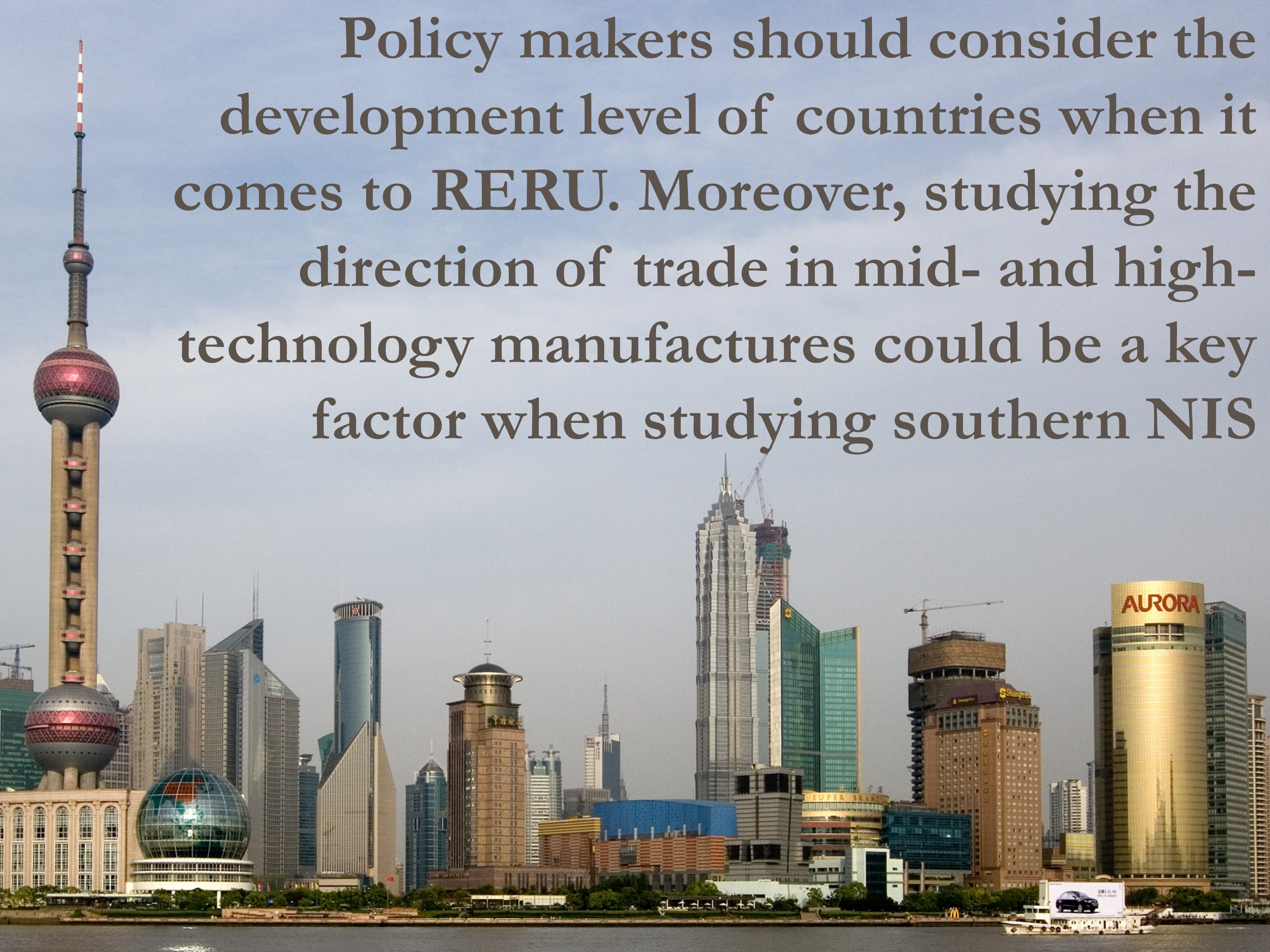

Policy makers should consider the development level of countries when it comes to RERU. Moreover, studying the direction of trade in mid- and high-technology manufactures could be a key factor when studying southern NIS