

proposed solutions, such as exchange rate target bands, introduce their own problems and could themselves lead to the very outcome that they were meant to help avoid.

Despite some of the rhetoric of those espousing immediate and aggressive reforms to usurp the foreign exchange markets and assign an institution (the IMF) to oversee international policy coordination in order to restore stability, there is still much uncertainty surrounding the determination of exchange rates and their effects on trade. Few, if any, of the most basic relationships are without controversy.

So where do we go from here? A two-step process is proposed. To begin, it is necessary to focus research efforts on developing a better understanding of fundamental issues such as exchange rate movements, their causes and their effects on international trade, foreign direct investment and the activities of multinational corporations. Only then (in the year 2004?) might a second step be taken to decide whether an international institution should be charged with somehow managing exchange rates, and, if so, whether that institution should be the IMF.

