

At the 1982 Bellagio conference, perhaps the apex of his academic career, Pentti Kouri stated that *more painstaking, time-consuming work on exchange rates will ultimately turn us against the current system of flexible exchange rates in favor of a more orderly monetary system.*

*The Dornbusch approach, and its powerful implications, has dominated research... but imperfect substitutability seems central to the issues we face today.*

- **OLIVIER BLANCHARD**  
Professor of Economics, MIT

*Most of you probably never met him. He was an imposing personality, as well as one of the most brilliant minds ever to grace international finance.*

- **MAURICE OBSTFELD**  
Professor of Economics,  
University of California, Berkeley

*An extraordinary personality. A very brilliant and original thinker with limpid reasoning.*

- **MARIO DRAGHI**  
Governor of the Bank of Italy

*The problem that Kouri posed to Lucas was a problem that Paul Samuelson had posed to his students in class.*

- **STANLEY FISCHER**  
Governor of the Bank of Israel

**About the editors:**

Jorge Braga de Macedo (Yale Ph. D. 1979) is NBER Research Associate, CEPR Research Fellow, Member of the Lisbon Academy of Science and of the Royal Academy of Belgium. He directs Nova's CG&G and as Minister of Finance signed the 1992 Maastricht Treaty; Urho Lempinen (Princeton Ph.D 1984) is Managing Director of CD Group, Helsinki. He was an economist at the Bank of Finland from 1978 until 1988 and a research fellow of the Academy of Finland from 1988 until 1992.

*The tensions in the international economy after the divergent adjustments to the first energy price hike, the sharp fluctuations in the currency markets and the international monetary reform debates in the IMF and in Europe made policy makers particularly appreciative of Pentti's grasp of the issues.*

- **NIELS THYGESEN**  
Professor of Economics (emer.),  
University of Copenhagen

*Although his mathematical skills in finance were second to none, he was a great admirer of John Maynard Keynes, who argued that rational financial decisions cannot be based solely on purely formal calculations.*

- **ROMAN FRYDMAN**  
Professor of Economics, NYU

*"Asset Prices in an Exchange Economy", *Econometrica* 1978 turned out to be one of my most popular papers. I wrote to Pentti and asked if he wanted to be the co-author of the paper, but he didn't seem to be that interested. A generous guy, I guess.*

- **ROBERT LUCAS**  
Professor of Economics, University of Chicago

*He was very stimulating and dashing as an economist, but as a person he could be reserved.*

- **JORGE BRAGA DE MACEDO**  
Professor of Economics,  
Nova University, Lisbon

OPEN ECONOMY DYNAMICS: Selected Papers by Pentti Kouri

Jorge Braga de Macedo – Urho Lempinen (eds.)

# OPEN ECONOMY DYNAMICS

Selected Papers

by  
**PENTTI  
KOURI**



Jorge Braga de Macedo  
Urho Lempinen (eds.)