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ON THE RENMINBI DOMINANCE IN EAST ASIA

Abstract:

This paper investigates the role of the renminbi in East Asia. We find novel results that the renminbi dominance reported in recent studies stands only when daily data are used and the multicollinearity problem is uncorrected. Once the multicollinearity problem is corrected, the US dollar remains the dominant currency regardless of data frequency used. As the regression model, the periodization of data, and the sample currencies used in this study are the same as or similar to those used in the literature, our results are comparable to those reported in the literature. Our findings suggest that the renminbi dominance and the rise of a tri-polar global currency system advocated in the literature are flimsy, and one should be mindful of data frequency used when investigating this issue.

Keywords:

renminbi dominance; renminbi bloc; East Asian currencies; international monetary system

JEL Classification: F31, F36