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Political Exchange Risk of England

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ABSTRACT

As introducing the new concept of political exchange risk, which differs from classical exchange risks such as transaction risk, translation risk, and economic risk in international financial management textbooks, my previous study empirically tests the relationship between a change in government and foreign exchange rates of North-East Asian countries because these countries have been enjoying trade surplus. However, the implementation of “Abenomics” in Japan and “MBnomics” in Korea can rationally raise doubt that these countries’ exchange rates could be increased because of these “-nomics”. Unlike these countries, England has not pursued any “-nomics.” and totally free developed country. Therefore, the present study empirically tests the relationship between a change in government, a change in government party, and foreign exchange rates of England using ANCOVA models. The analysis results indicate that a change in government and a change in government party, affect the foreign exchange rates of England and present additional meaningful evidence for the existence of a new concept of political exchange risk, regardless of the economic development stage, economic policy of the countries and regional location of country.

KEYWORDS Political exchange risk; Government change; Government party change

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