

## **Abstract**

This paper sets out a political economy model of strategic exchange rates, focusing in the importance of external lobbying. Applying it for the recent history of the Japanese yen, we show that pressure from the U.S. trade negotiators contributed to an appreciation of the Japanese yen, as well as to a reduction in import prices and profits of Japanese commercial banks.

Key words: Japan, yen, political economy model, lobbying

JEL classification: F31, F59