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Tiivistelmä-Referat-Abstract Title: Exchange rate dynamics with pricing-to-market (PTM). This study aims to demonstrate how the presence of sticky prices and pricing-to-market practices of firms affect the exchange rate volatility as well as international macroeconomic transmission and welfare. The model utilized is a simple exchange rate framework which combines international market segmentation by competitive firms as well as local currency price setting. The main reference of the study is Betts and Devereux (2000), "Exchange rate dynamics in a model of pricing-to-market". Section 2 presents the determinants of the model, section 3 the impact of PTM to exchange rate variability, section 4 the impacts of monetary government spending shocks under PTM, and finally section 5 examines the welfare aspects. Main results are the following. PTM is important for the determination of the exchange rate as well as for international macroeconomic fluctuations. It decreases the pass-through from exchange rate changes to prices, as well as the expenditure switching effect of exchange rate variations. The presence of PTM also increases exchange rate variability. Furthermore since it causes departures from purchasing power parity, it also lessens the comovement in consumption across economies. Finally PTM influences the transmission of monetary policy shocks, thus causing vital welfare repercussions. More specifically, domestic monetary expansions raise domestic welfare while reducing foreign one. Thus monetary policy becomes a beggar thy neighbor instrument under the influence of pricing to market policies.			
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