

Playing Monopoly with the Devil

Dollarization and Domestic
Currencies in Developing
Countries

Manuel Hinds

A Council on Foreign Relations Book

Yale University Press

New Haven and London

Contents

Acknowledgments, xi

Prologue: Playing Monopoly with the Devil, xiii

Introduction, xxv

Part One. The Unfulfilled Promises of Local Currencies

1 The Standard of Value and the Reversed Liquidity Trap, 3

2 The Unfulfilled Promises in the Financial System, 16

3 The Unfulfilled Promises in Trade and Growth, 53

4 The Costs of Stability, 82

5 Missing Financial Globalization, 107

Part Two. The Reversed Liquidity Trap and Financial Crises

6 The Financial Risks of Monetary Regimes, 121

7 The Currency Origins of Financial Crises, 136

- 8 The Myth of the Lender of Last Resort, 167
- 9 The Solution of Crises and the Aftermath, 179
- 10 The Counterfactuals, 189

Part Three. The Optimal Currency Area and the Choice of Currency

- 11 The Conventional Optimal Currency Area Theory, 197
- 12 Toward a Redefinition of an Optimal Currency Area, 220
- 13 Conclusions, 232

Epilogue: Werner von Bankrupt on the Art of Buying
Countries with a Buck-Fifty, 235

Notes, 245

Index, 249