

Preventing Currency Crises in Emerging Markets

Edited by Sebastian Edwards and
 Jeffrey A. Frankel

The University of Chicago Press

Chicago and London

Acknowledgments		xi
Introduction		1
Sebastian Edwards and Jeffrey A. Frankel		
I. THE CURRENT ACCOUNT AND VULNERABILITY TO CRISIS		
1. Does the Current Account Matter?		21
Sebastian Edwards		
<i>Comment:</i> Alejandro M. Werner		
<i>Discussion Summary</i>		
2. Are Trade Linkages Important Determinants of Country Vulnerability to Crises?	7	7
Kristin J. Forbes		
<i>Comment:</i> Federico Sturzenegger		
<i>Discussion Summary</i>		
II. INTERNATIONAL FINANCIAL PLAYERS AND CONTAGION		
3. What Hurts Emerging Markets Most? G3 Exchange Rate or Interest Rate Volatility?		133
Carmen M. Reinhart and Vincent Raymond Reinhart		
<i>Comment:</i> Joshua Aizenman		
<i>Discussion Summary</i>		

4. When Is U.S. Bank Lending to Emerging Markets Volatile?	171
Linda S. Goldberg	
<i>Comment:</i> Simon Johnson	
<i>Discussion Summary</i>	
5. The Role of Large Players in Currency Crises	197
Giancarlo Corsetti, Paolo Pesenti, and Nouriel Roubini	
<i>Comment:</i> Jaume Ventura	
<i>Discussion Summary</i>	
6. Contagion: How to Measure It?	269
Roberto Rigobon	
<i>Comment:</i> Enrique G. Mendoza	
<i>Discussion Summary</i>	
7. Credit, Prices, and Crashes: Business Cycles with a Sudden Stop	335
Enrique G. Mendoza	
<i>Comment:</i> Joshua Aizenman	
<i>Discussion Summary</i>	
III. CAPITAL CONTROLS: THE MALAYSIAN EXPERIENCE	
8. Did the Malaysian Capital Controls Work?	393
Ethan Kaplan and Dani Rodrik	
<i>Comment:</i> Liliana Rojas-Suarez	
<i>Discussion Summary</i>	
9. Malaysia's Crisis: Was It Different?	441
Rudi Dornbusch	
<i>Comment:</i> Michael P. Dooley	
<i>Discussion Summary</i>	
IV. BALANCE SHEETS AND "CRONY CAPITALISM"	
10. Negative Alchemy? Corruption, Composition of Capital Flows, and Currency Crises	461
Shang-Jin Wei and Yi Wu	
<i>Comment:</i> Martin Feldstein	
<i>Discussion Summary</i>	
11. Domestic Bank Regulation and Financial Crises: Theory and Empirical Evidence from East Asia	507
Robert Dekle and Kenneth Kletzer	
<i>Comment:</i> Paolo Pesenti	
<i>Discussion Summary</i>	

12. Dollarization of Liabilities, Net Worth Effects, and Optimal Monetary Policy	559
Luis Felipe Cepedes, Roberto Chang, and Andres Velasco	
<i>Comment:</i> Nouriel Roubini	
<i>Discussion Summary</i>	
13. <i>Chaebol</i> Capitalism and the Currency-Financial Crisis in Korea	601
Anne O. Krueger and Jungho Yoo	
<i>Comment:</i> Jorge Braga de Macedo	
<i>Discussion Summary</i>	
14. Living with the Fear of Floating: An Optimal Policy Perspective	663
Amartya Lahiri and Carlos A. Vegh	
<i>Comment:</i> Eduardo Borensztein	
• <i>Discussion Summary</i>	
15. Policy in an Economy with Balance Sheet Effects	705
Aaron Tornell	
<i>Comment:</i> Charles W. Calomiris	
<i>Discussion Summary</i>	

V. OVERVIEW

16. A Primer on Emerging-Market Crises	743
Rudi Dornbusch	
Contributors	755
Author Index	759
Subject Index	765