



International Finance Discussion Papers: Mexico's Balance-Of-Payments Crisis: A Chronicle of Death Foretold

By Guillermo A Calvo, Enrique G Mendoza

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****.This paper claims that the roots of Mexico's balance-of-payments crisis are found in the prevailing high degree of capital mobility and financial globalization. Under these circumstances, shifts in foreign capital flows and anticipation of a banking-system bailout may produce large imbalances between stocks of financial assets and foreign reserves, threatening the sustainability of currency pegs. Econometric analysis suggests that 1/2 of Mexico's reserve losses could be accounted for by these phenomena. Large financial imbalances are also fertile ground for self-fulfilling-prophecy crises which lead devaluations to produce deep recessions. These difficulties can be partly remedied by appropriate policies.



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