

**Table 1:**  
**The Frequency of Crises, Switches Between Float and Peg and**  
**Switches between Capital Controls and Liberalizations (%)**

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<b>Variable</b>	<b>Frequency</b>
Crsises	22.61
Switches to peg	1.71
Switches to float	3.91
Switches to controls	1.03
Switches to liberalizations	0.9

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**Table 2:**  
**List of Countries**

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(1)	Algeria	(51)	Malawi
(2)	Argentina	(52)	Malaysia
(3)	Bangladesh	(53)	Maldives
(4)	Barbados	(54)	Mali
(5)	Belize	(55)	Malta
(6)	Benin	(56)	Mauritania
(7)	Bhutan	(57)	Mauritius
(8)	Bolivia	(58)	Mexico
(9)	Botswana	(59)	Morocco
(10)	Brazil	(60)	Myanmar
(11)	Burkina Faso	(61)	Nepal
(12)	Burundi	(62)	Nicaragua
(13)	Cameroon	(63)	Niger
(14)	Cape Verde	(64)	Nigeria
(15)	Central African	(65)	Oman
(16)	Chad	(66)	Pakistan
(17)	Chile	(67)	Panama
(18)	China	(68)	Papua New Guinea
(19)	Colombia	(69)	Paraguay
(20)	Comoros	(70)	Peru
(21)	Congo	(71)	Philippines
(22)	Cote d'Ivoire	(72)	Portugal
(23)	Dominican Rep.	(73)	Romania
(24)	Ecuador	(74)	Rwanda
(25)	Egypt, Arab Rep	(75)	Sao Tome and Pr
(26)	El Salvador	(76)	Senegal
(27)	Equatorial Guin	(77)	Seychelles
(28)	Ethiopia	(78)	Sierra Leone
(29)	Fiji	(79)	Solomon Islands
(30)	Gabon	(80)	Somalia
(31)	Gambia, The	(81)	South Africa
(32)	Ghana	(82)	Sri Lanka
(33)	Grenada	(83)	St. Vincent
(34)	Guatemala	(84)	Sudan
(35)	Guinea	(85)	Swaziland
(36)	Guinea-Bissau	(86)	Syrian Arab Rep
(37)	Guyana	(87)	Tanzania
(38)	Haiti	(88)	Thailand
(39)	Honduras	(89)	Togo
(40)	Hungary	(90)	Trinidad and To
(41)	India	(91)	Tunisia
(42)	Indonesia	(92)	Turkey
(43)	Iran, Islamic R	(93)	Uganda
(44)	Jamaica	(94)	Uruguay
(45)	Jordan	(95)	Vanuatu
(46)	Kenya	(96)	Venezuela
(47)	Lao PDR	(97)	Western Samoa
(48)	Lesotho	(98)	Zaire
(49)	Liberia	(99)	Zambia
(50)	Madagascar	(100)	Zimbabwe

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**Table 3:**  
**Exchange Regime and Capital Controls: Cyclical Effects**

**Panel A: Dependent Variable: Growth Rates**

<b>Variables</b>	<b>OLS (i)</b>	<b>OLS (ii)</b>	<b>FE (iii)</b>	<b>FE (iv)</b>
Switching to peg between t-2 to t-1	<b>1.6423</b> <b>(0.7503)*</b>	<b>4.6209</b> <b>(1.4795)**</b>	<b>1.2041</b> <b>(0.9958)</b>	<b>5.0215</b> <b>(1.7630)**</b>
Switching to float between t-2 to t-1	0.1761 (0.6483)	0.6383 (0.6692)	-0.0539 (0.7039)	0.2005 (0.7401)
Switching to Capital Controls between t-2 to t-1	<b>-1.8832</b> <b>(0.8616)*</b>	<b>-4.7173</b> <b>(1.5363)**</b>	<b>-1.9592</b> <b>(1.0495)</b>	<b>-6.3843</b> <b>(2.0713)**</b>
The probability of having currency crisis this year <sup>^</sup>		<b>-9.6164</b> <b>(5.0663)</b>		<b>-12.7791</b> <b>(4.9934)*</b>

**Controllers**

1970 GDP per capita	<b>-0.0012</b> <b>(0.0005)*</b>	<b>-0.0011</b> <b>(0.0005)*</b>	--	--
Currency crisis at time t-1	0.5612 (0.5949)	2.7602 (1.2740)*	0.7579 (0.4506)	2.5482 (0.8331)**
Currency crisis at time t-2	-2.1345 (0.6375)**	-1.5347 (0.7221)*	-1.6442 (0.4525)**	-2.2155 (0.4852)**
Growth rate at time t-1	0.2540 (0.0464)**	0.2552 (0.0469)**	0.1802 (0.0275)**	0.2267 (0.0312)**
Growth rate at time t-2	0.1093 (0.0366)**	0.1048 (0.0372)**	0.0069 (0.0274)	-0.0224 (0.0313)

**Panel B: Dependent Variable: Currency Crisis (0,1). 1 if  $REE(t)-REE(t-1)>15\%$  - Probit (dF/dX) estimators**

1970's GDP per capita		0.0000 (0.0000)		--
Switching to peg between t-2 to t-1		<b>0.3125</b> <b>(0.0991)**</b>		<b>0.2893</b> <b>(0.1028)**</b>
Switching to float t-2 to t-1		<b>0.0557</b> <b>(0.0510)</b>		0.0325 (0.0516)
Switching to Capital Controls between t-2 to t-1		<b>-0.2656</b> <b>(0.0470)**</b>		<b>-0.3313</b> <b>(0.0524)**</b>
Currency crisis at time t-1		0.2299 (0.0377)**		0.1314 (0.0349)**
Currency crisis at time t-2		0.0563 (0.0296)		-0.0307 (0.0256)
Government def t-1 <sup>^^</sup>		0.0000 (0.0000)		0.0000 (0.0000)
Country fixed-effects		<b>No</b>		<b>Yes</b>

**Note:**

Data includes 106 countries in the years 1970 to 1997

<sup>^</sup> Currency crisis =1 if the real exchange rate increased by 15% between t-1 to t (1 STD)

All specifications include linear time trend

( ) Standard errors in parenthesis

\* significant at 5%; \*\* significant at 1%

**Table 4:**  
**Exchange Regime and Capital Controls: Cyclical and Persistent Effects**

**Panel A: Dependent Variable: Growth Rates**

Variables	OLS	FE
	(i)	(ii)
Peg at time t-1	-0.6088 (0.2899)*	-0.1813 (0.4787)
Switching to peg between t-2 to t-1	3.9786 (1.2935)**	4.9046 (1.4604)**
Switching to float between t-2 to t-1	0.4657 (0.7124)	0.8090 (0.8382)
Capital Controls at t-1	-1.2843 (0.4539)**	-1.1997 (0.9385)
Switching to Capital Controls between t-2 to t-1	-1.2843 (0.4539)**	-5.9101 (1.7511)**
The probability of having currency crisis this year <sup>^</sup>	-7.9131 (6.0140)	-13.7764 (4.4409)**
<b><u>Controllers</u></b>		
1970 GDP per capita	-0.0013 (0.0006)*	--
Currency crisis at time t-1	2.3069 (1.4183)	2.6221 (0.7543)**
Currency crisis at time t-2	-1.7389 (0.7269)*	-2.3438 (0.4911)**
Growth rate at time t-1	0.2481 (0.0456)**	0.2247 (0.0312)**

**Panel B: Dependent Variable: Currency Crisis (0,1). 1 if REE(t)-REE(t-1)>15% - Probit (dF/dX) estimator**

1970's GDP per capita	0.0000 (0.0000)	--
Peg at time t-1	-0.0192 (0.0221)	0.0368 (0.0361)
Switching to peg between t-2 to t-1	0.2798 (0.1029)**	0.2106 (0.1070)*
Switching to float t-2 to t-1	0.0801 (0.0567)	0.1085 (0.0674)
Capital Controls at t-1	-0.0383 (0.0283)	-0.1021 (0.0639)
Switching to Capital Controls between t-2 to t-1	-0.2491 (0.0513)**	-0.2820 (0.0646)**
Currency crisis at time t-1	0.2264 (0.0373)**	0.1255 (0.0345)**
Country fixed-effects	<b>No</b>	<b>Yes</b>

**Note:**

Data includes 106 countries in the years 1970 to 1997

<sup>^</sup> Currency crisis =1 if the real exchange rate increased by 15% between t-1 to t (1 STD)

All specifications include linear time trend

( ) Standard errors in parenthesis

\* significant at 5%; \*\* significant at 1%

**Table 5:**  
**The Effect of Sudden Stop Crisis and**  
**Dollarization (Foreign Liabilities - Money Supply Ratio) on Growth**

<b>Variable</b>	<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>
Foreign Liabilities - Money Supply Ratio (FLM)	0.001 (0.042)	-0.001 (0.042)	0.000 (0.042)
Sudden Stop Crisis	-0.881 (0.384)	-0.781 (0.378)	-0.250 (0.431)
Growth at t-1		0.173 (0.021)	0.172 (0.021)
<b><i>Interaction</i></b>			
Sudden Stop Crisis * FLM			<b>-2.384</b> <b>(0.931)</b>
Country fixed effect	Yes	Yes	Yes
Observations	2228	2228	2228

**Table 6:**  
**The Effect of Sudden Stop Crisis on Dollarization (Foreign Liabilities - Money Supply Ratio)**

Variable	(i)	(ii)	(iii)
Crisis at t-2	-0.034 (0.020)		-0.034 (0.020)
Peg at time t-2	0.042 (0.024)		0.010 (0.028)
Capital Controls at t-2	-0.013 (0.028)		-0.009 (0.028)
The probability of having currency crisis this year <sup>^</sup>		-0.200 (0.070)	-0.176 (0.083)
Country fixed effect	Yes	Yes	Yes
Observations	1176	1176	1176

**Table 7:**  
**The Effect of Sudden Stop Crisis and**  
**Dollarization (Foreign Liabilities - Money Supply Ratio) on Growth**

<b>Variable</b>	<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>
Foreign Liabilities - Money Supply Ratio (FLM)	0.001 (0.042)	-0.001 (0.042)	0.000 (0.042)
Sudden Stop Crisis	-0.881 (0.384)	-0.781 (0.378)	-0.250 (0.431)
Growth at t-1		0.173 (0.021)	0.172 (0.021)
<b><i>Interaction</i></b>			
Sudden Stop Crisis * FLM			<b>-2.384</b> <b>(0.931)</b>
Country fixed effect	Yes	Yes	Yes
Observations	2228	2228	2228

**Table 8:  
The Frequency of Sudden Stop and Domestic Prices Crises  
Using Reinhart-Rogoff (2004) Classification\*, \*\***

		<b>Domestic Price Crises</b>		
		<b>0</b>	<b>1</b>	
<b>Sudden Stops Crises</b>	<b>0</b>	24.6	9.9	34.5
	<b>1</b>	29.3	36.3	65.5
		53.9	46.1	100.0

**Notes:**

\* Reinhart and Rogoff (2002) classified into 5 categories: (i) peg, (ii) limited flexibility, (iii) managed floating, (iv) freely floating and (v) freely falling. We aggregate it into 2 main categories: (i) peg\_rr, including the first 3 and (ii) float\_rr, including the other two.

\*\* Data includes 58 countries in the years 1970 to 1997

Domestic prices crisis = 1 if the inflation rate is above 20% per year and 0 otherwise.

Sudden stop crisis = 1 if the real exchange rate depreciation is above 15% per year and 0 otherwise.



**Table 9:  
Switches Between Float and Peg  
Using Reinhart-Rogoff (2004) Classification\*, \*\***

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<b>Variable</b>	<b>Frequency</b>
Switches to peg	10.18
Switches to float	9.97

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**Notes:**

\* Reinhart and Rogoff (2002) classified into 5 categories: (i) peg, (ii) limited flexibility, (iii) managed floating, (iv) freely floating and (v) freely falling. We aggregate it into 2 main categories: (i) peg\_rr, including the first 3 and (ii) float\_rr, including the other two.

\*\* Data includes 58 countries in the years 1970 to 1997

**Table 10:**  
**Exchange Regime and Capital Controls**  
**Using Reinhart-Rogoff (2004) Classification\*,\*\***  
**Fixed-Effects Estimators**

**Dependent Variable: Growth Rates**

<b>Variables</b>	<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>
Peg at time t-1	1.656 (0.557)	1.330 (0.549)	1.729 (0.565)
Capital Controls at t-1	-0.439 (0.890)	-0.587 (0.991)	0.156 (1.022)
Switching to Capital Controls between t-2 to t-1	-5.852 (1.799)	-3.374 (1.518)	-6.155 (1.809)
The probability of having currency crisis this year <sup>^</sup> excluding the effect of price crisis	-14.843 (4.937)		-22.359 (7.996)
The probability of having currency crisis this year - real <sup>^</sup> including the effect of price crisis		-6.824 (4.084)	7.632 (6.578)
<b><u>Controllers</u></b>			
Growth rate at time t-1	0.176 (0.034)	0.191 (0.034)	0.183 (0.034)
Growth rate at time t-2	0.008 (0.035)	0.022 (0.035)	0.019 (0.035)
Currency crisis at time t-1	2.812 (0.978)	0.917 (0.629)	3.340 (1.069)
Currency crisis at time t-2	-1.904 (0.479)	-1.804 (0.483)	-1.831 (0.481)
Price (CPI) crisis at time t-1	-0.100 (0.491)	1.078 (0.772)	-1.251 (1.133)
Price (CPI) crisis at time t-2	0.385 (0.488)	0.374 (0.491)	0.468 (0.490)

**Notes:**

\* Reinhart and Rogoff (2002) classified into 5 categories: (i) peg, (ii) limited flexibility, (iii) managed floating, (iv) freely floating and (v) freely falling. We aggregate it into 2 main categories: (i) peg\_rr, including the first 3 and (ii) float\_rr, including the other two.

\*\* Data includes 58 countries in the years 1970 to 1997

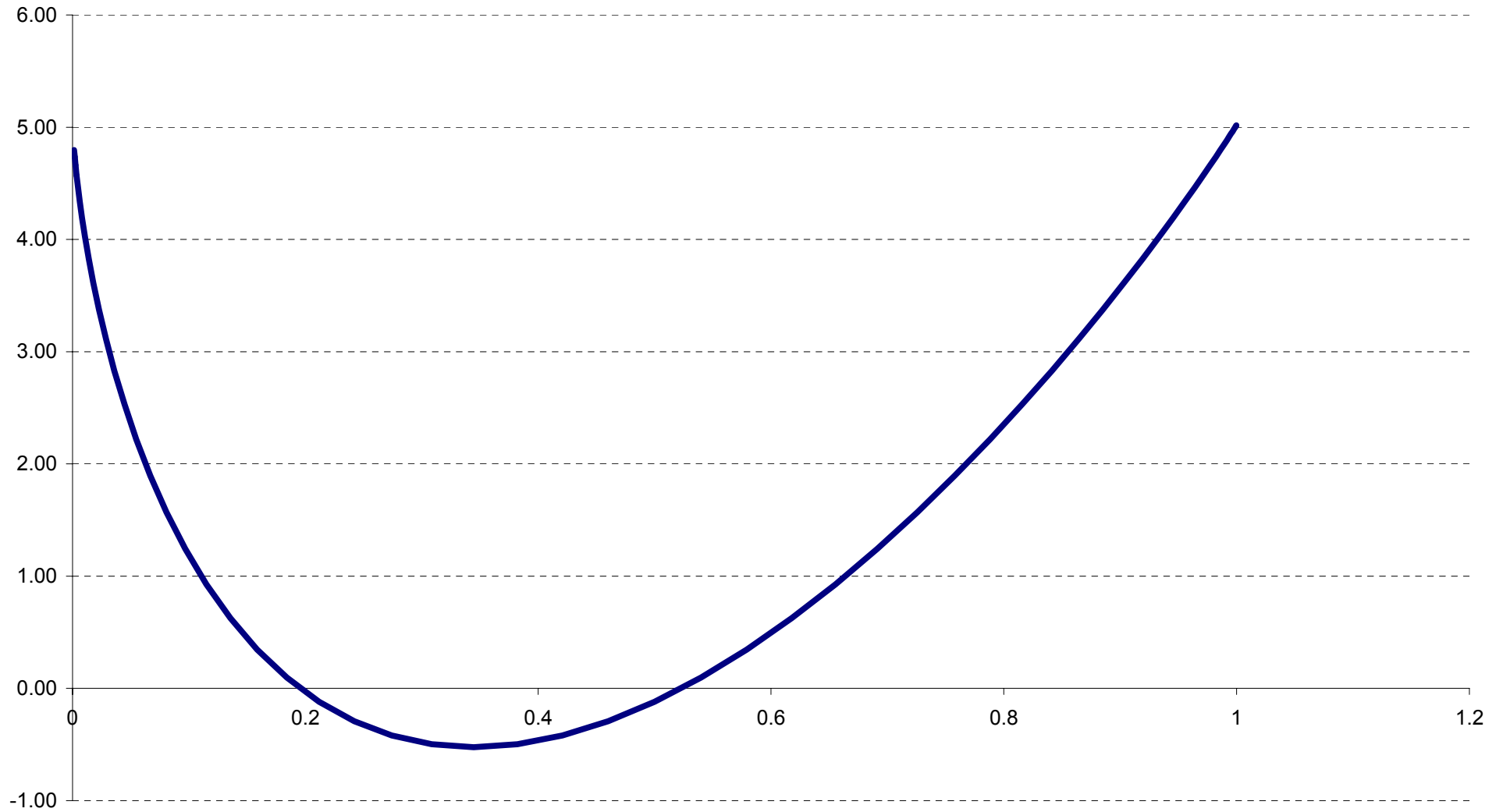
<sup>^</sup> The estimated the likelihood for a currency crisis ignoring the effect of price crisis.

<sup>^</sup> The estimated probability for a currency crisis including the effect of past price crisis

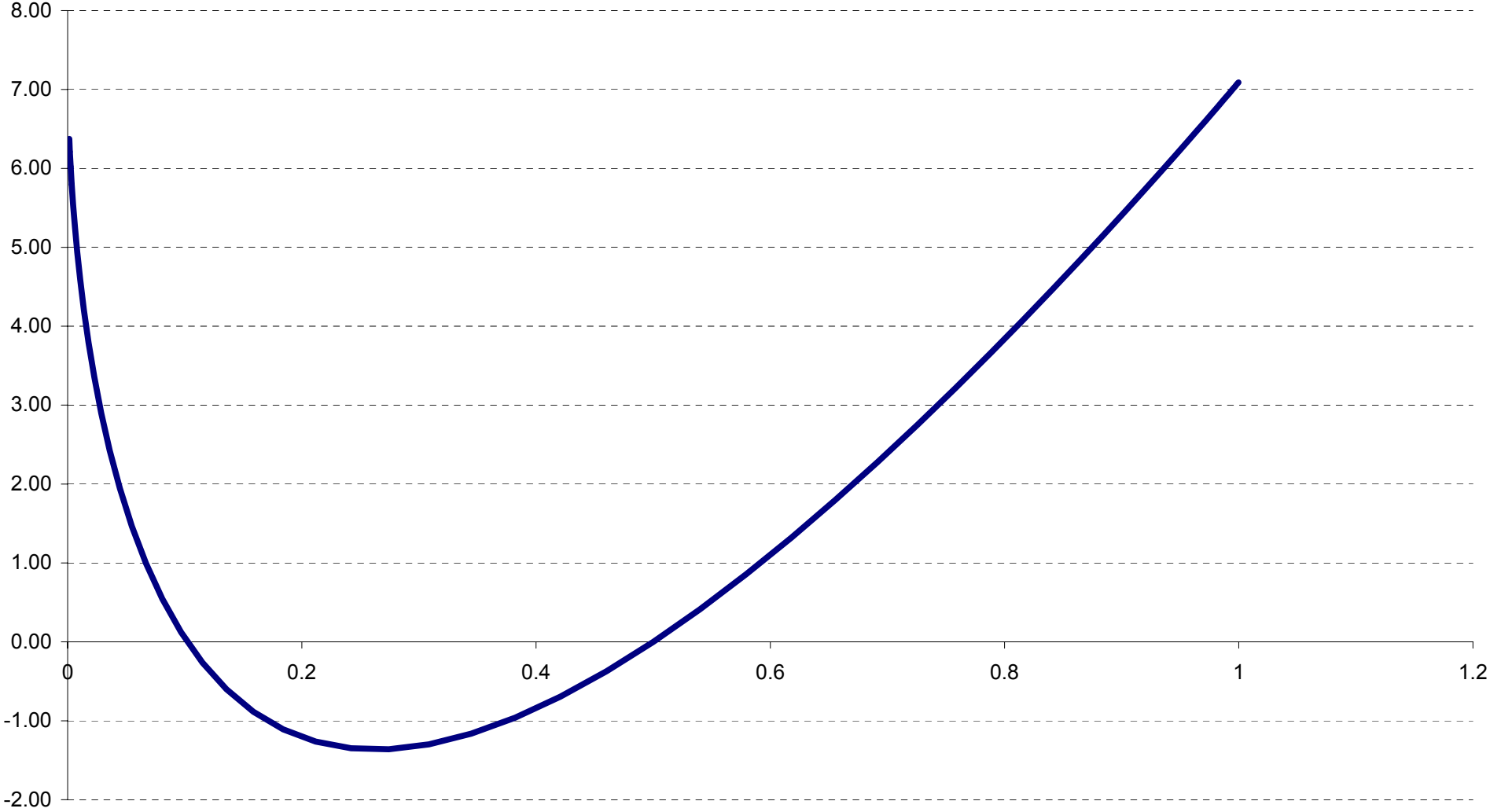
All specifications include linear time trend

( ) Standard errors in parenthesis

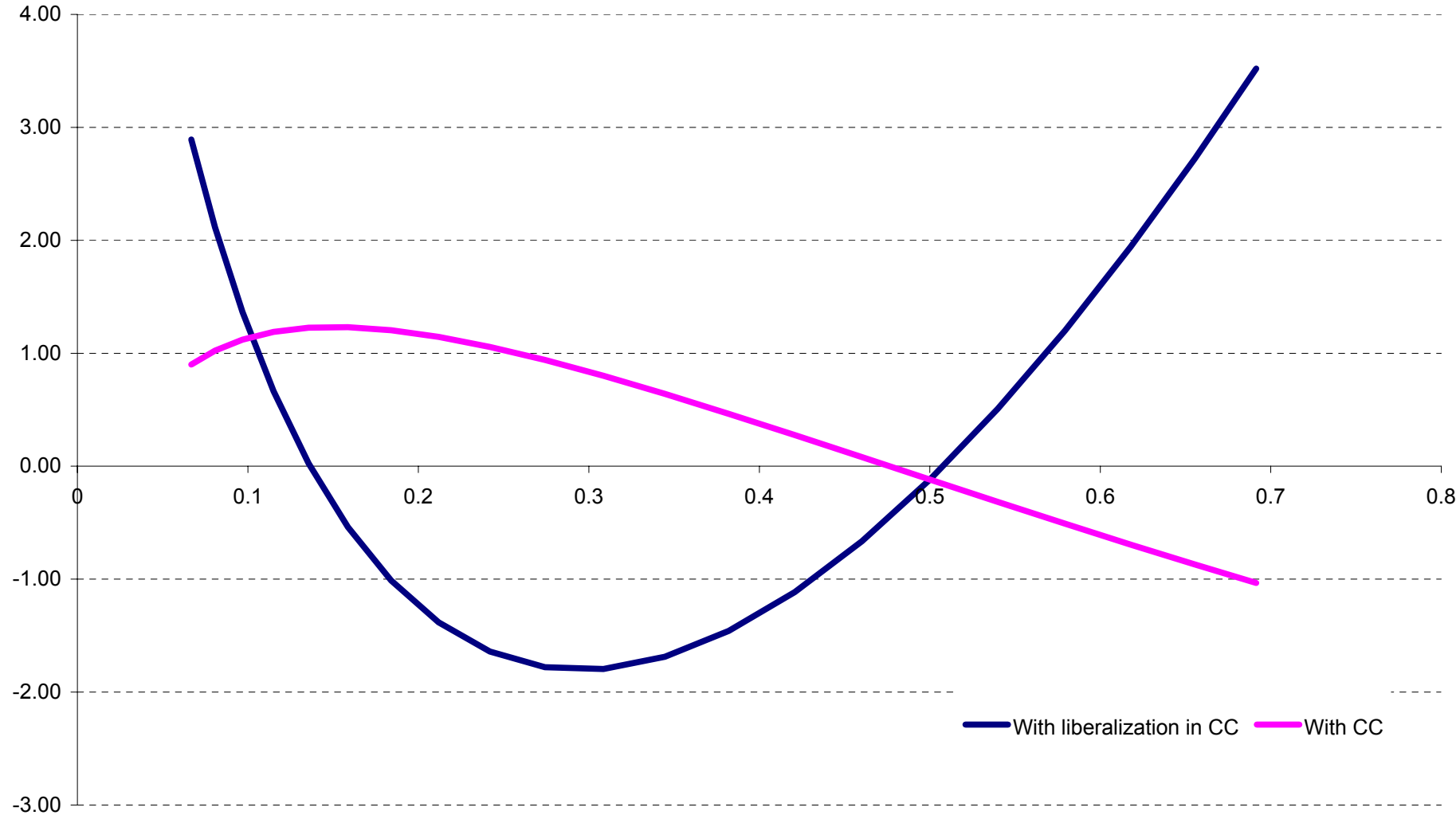
**Figure 1:**  
**The Marginal Effect of Switching from Float to Peg on Growth**



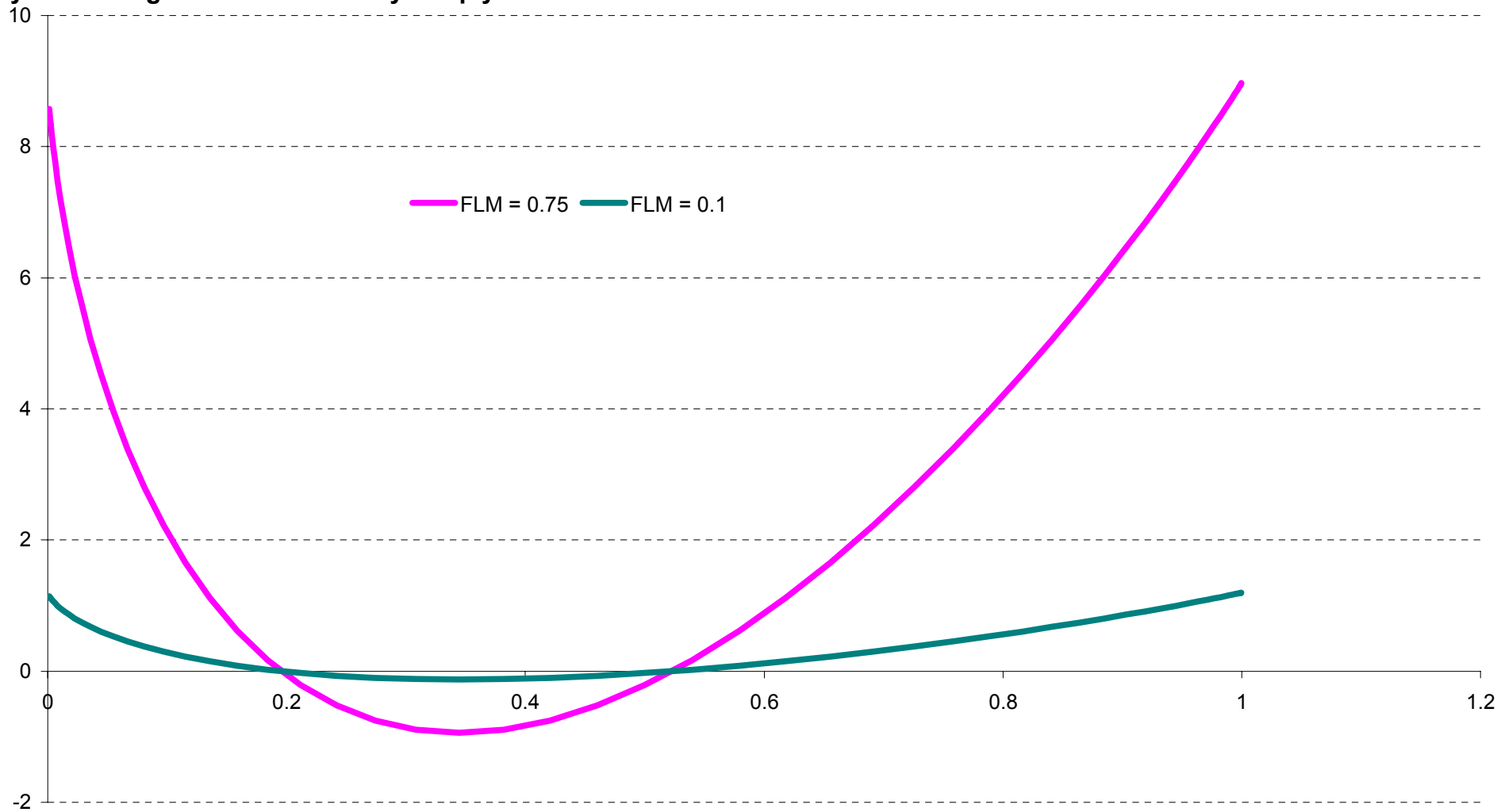
**Figure 2:**  
**The Marginal Effect of Liberalization in Capital Controls on Growth**



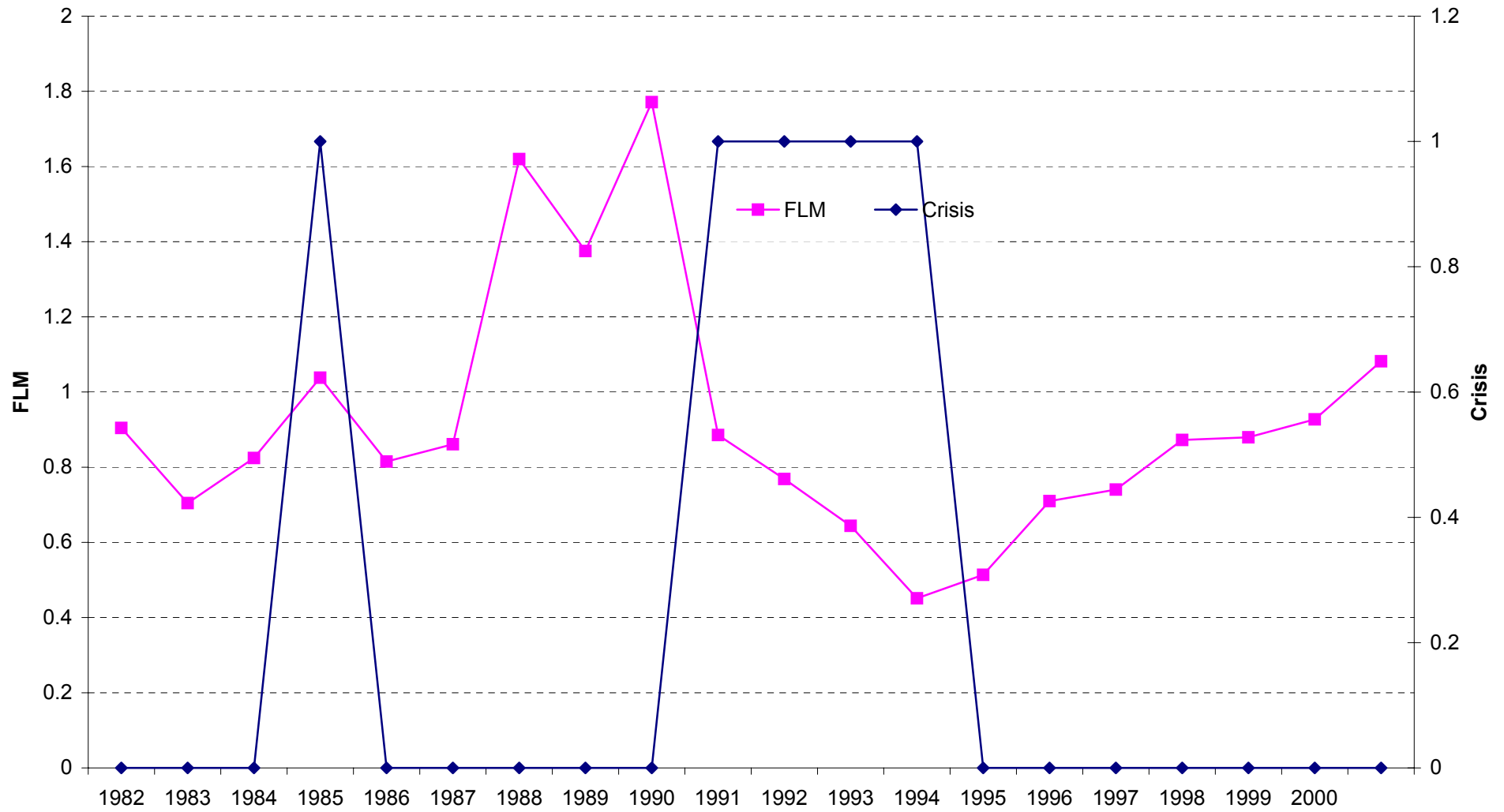
**Figure 3:**  
**Switching from Float to Peg with and without Capital Controls**



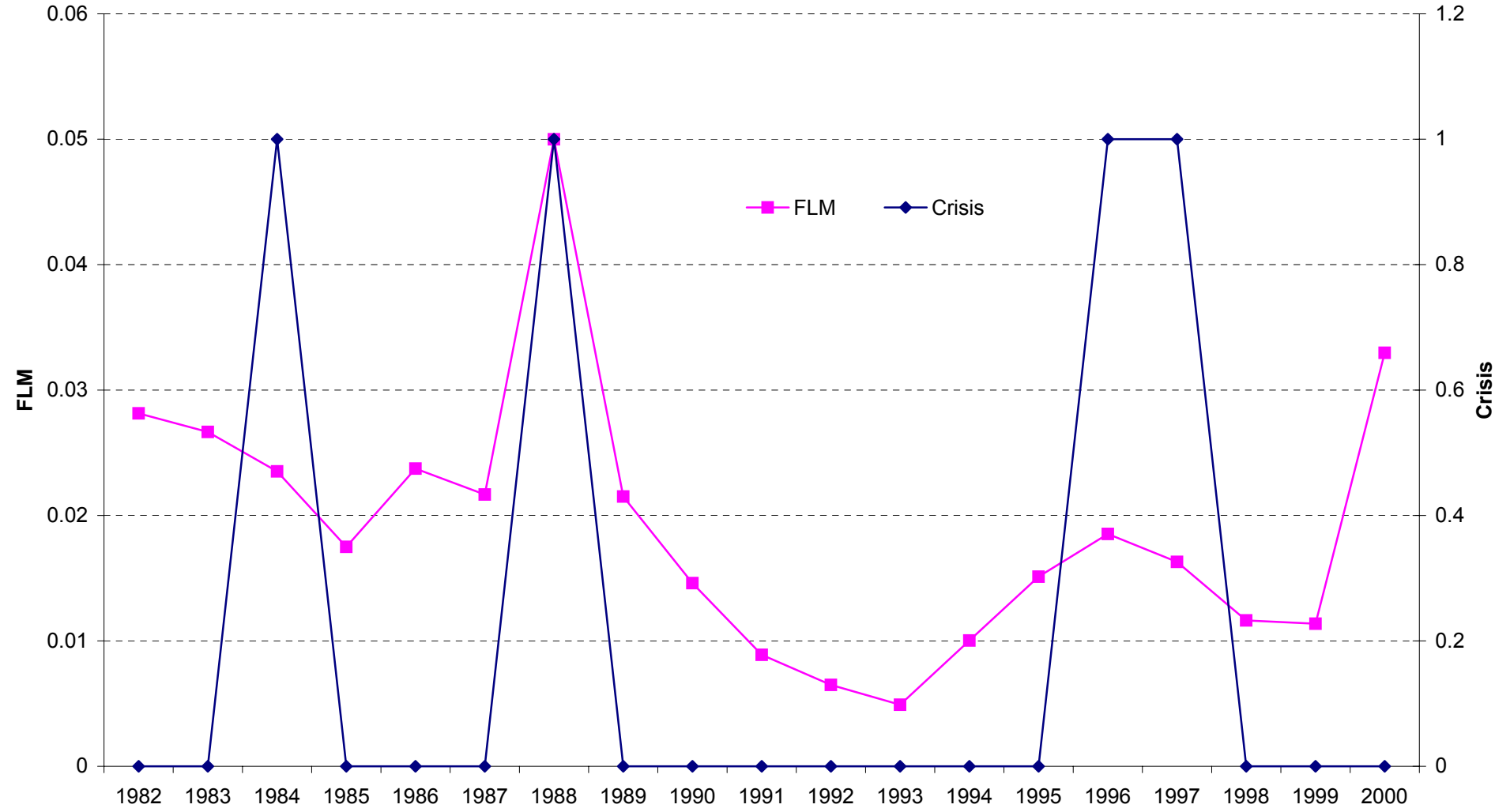
**Figure 4:**  
**The Marginal Effect of Switching from Float to Peg on Growth**  
**by The Foreign Liabilities - Money Supply Ratio**



**Figure 5:**  
**Sudden Stop Crises and Dollarization: Argentina**

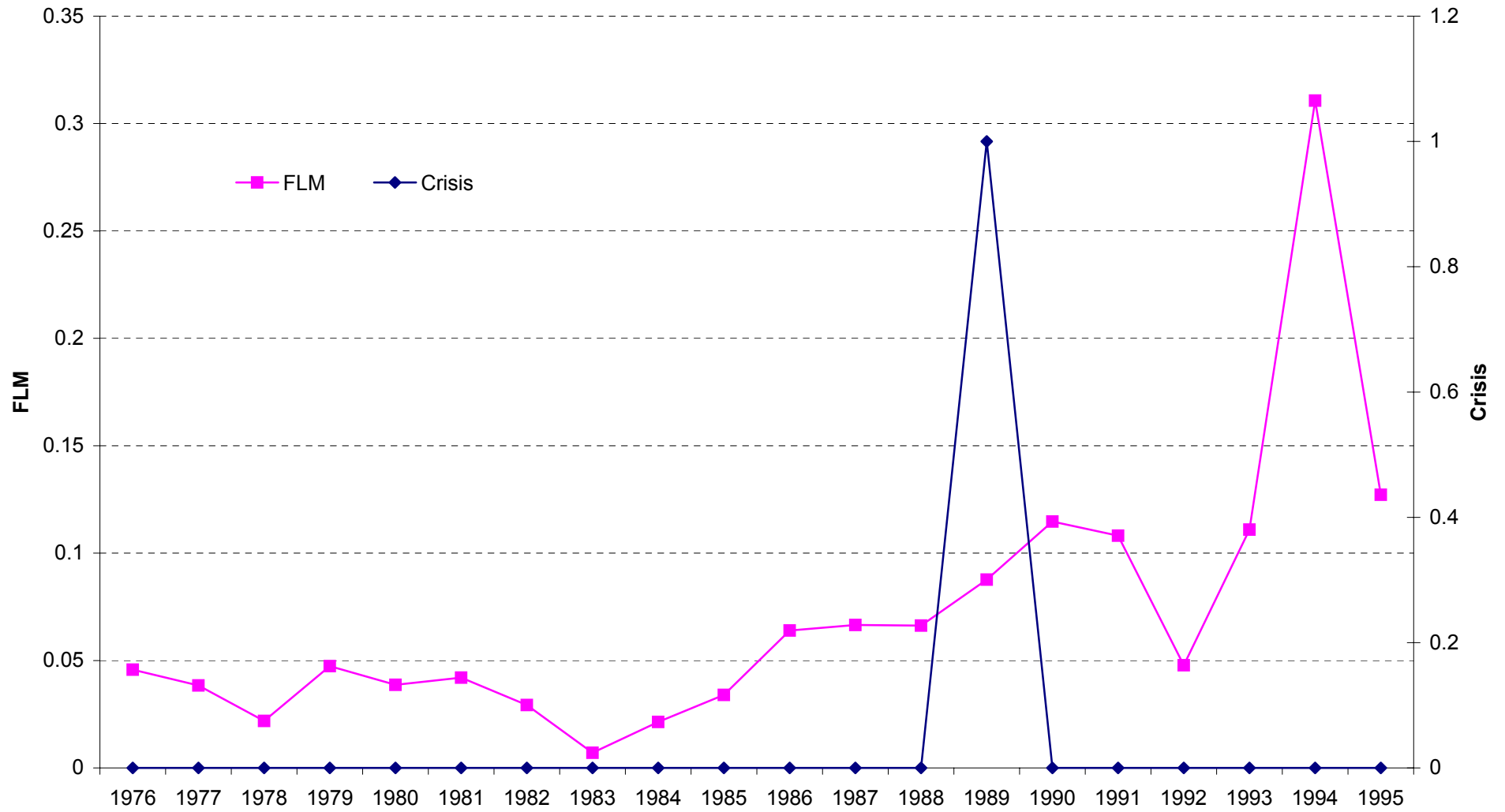


**Figure 6:**  
**Sudden Stop Crises and Dollarization: Mexico**

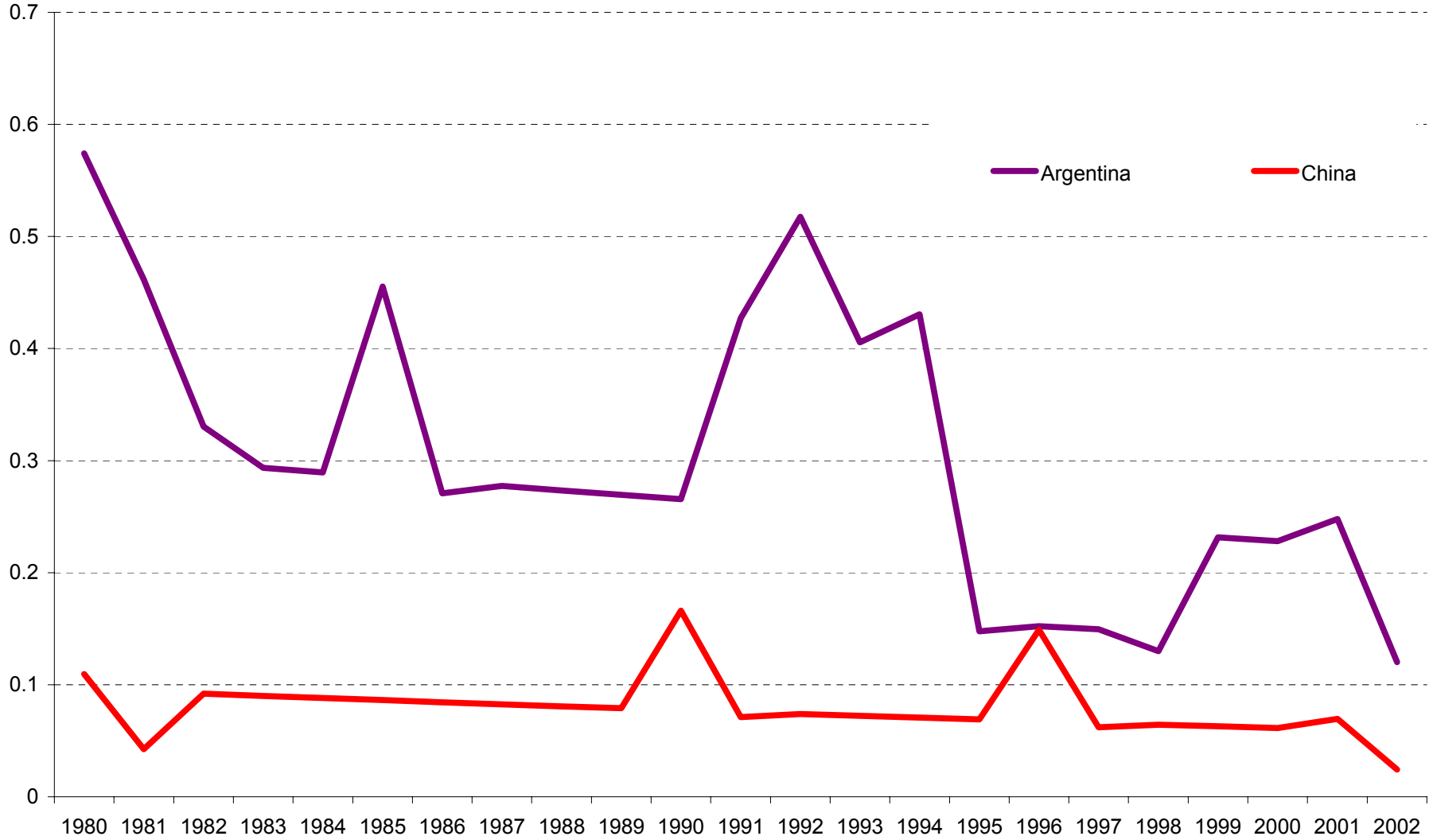




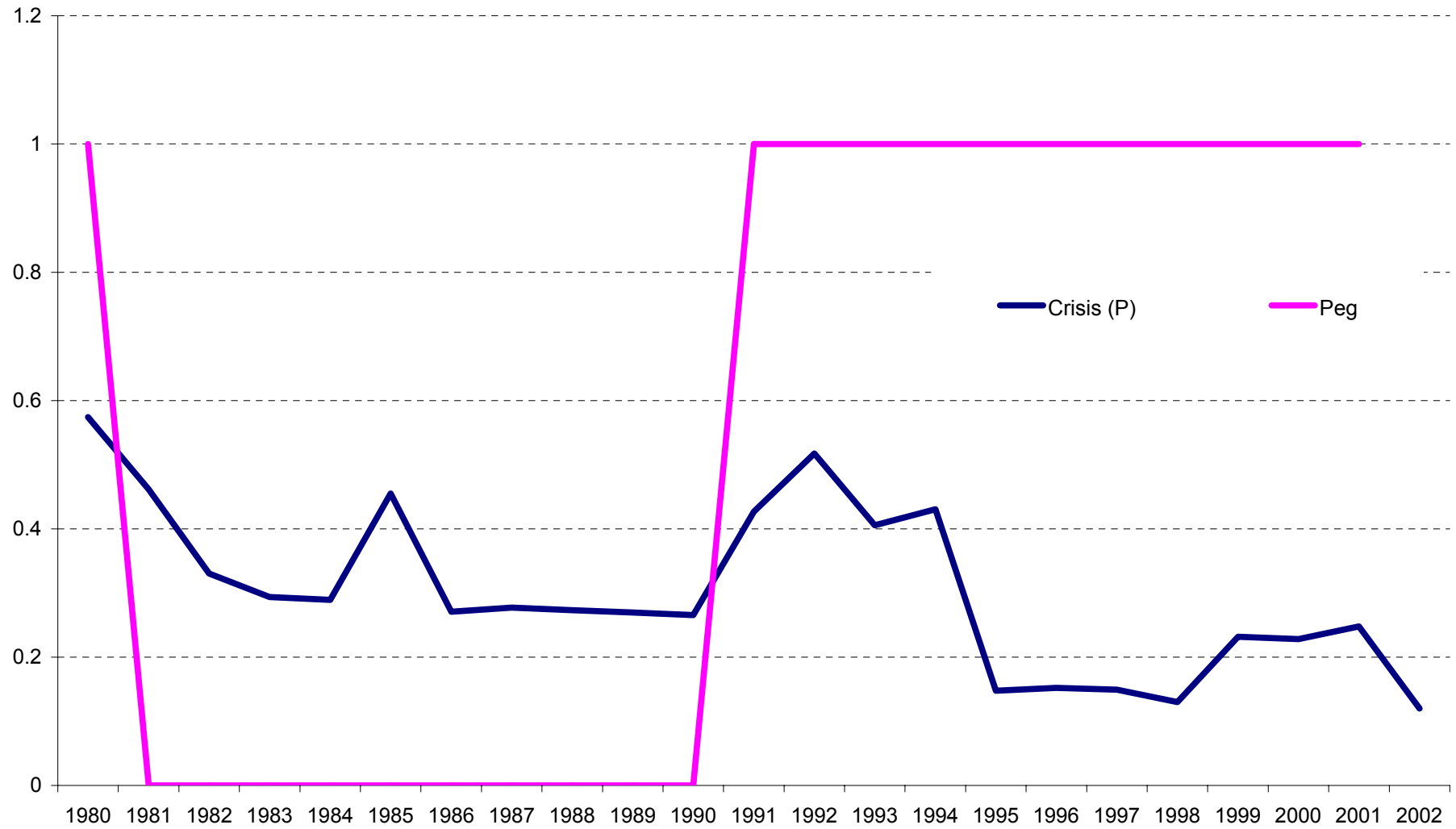
**Figure 7:**  
**Sudden Stop Crises and Dollarization: China**



**Figure 8:**  
**The Estimated Probability of Crisis: Argentina, China and Mexico**



**Figure 9:**  
**The Estimated Probability of Crisis and Peg Exchange Rate Regime:**  
**Argentina, 1980-2002**



**Figure 10:**  
**The Estimated Probability of Crisis and Capital Controls:**  
**Argentina, 1980-2002**

