

**TRANSPARENCY AND SPECULATIVE ATTACKS. WHY
EXCHANGE RATE REGIMES HAVE BEEN SO COSTLY FOR
EMERGING COUNTRIES ?¹**

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Abstract

Based on Morris and Shin 's framework [1998,2000], this paper shows in which way the degree of transparency of an economy affects the decision of the policymaker when choosing an exchange rate regime. Key to this result is the role of *coordination* in currency crisis games. The exchange rate policy has two effects on the likelihood of currency crisis: a classic portfolio effect and a coordination effect. When the degree of transparency about fundamentals is not extremely high, we can derive conditions for which the worst solution draws near the more rigid regime.

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