

## Lessons of Recent Currency Crises

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### Abstract

This paper considers currency regimes and debt problems in emerging economies. Goldstein contends that a country's currency regime matters a lot, both for reducing vulnerability to crises and improving macroeconomic performance, and concludes that adjustable and crawling pegs are prone to currency mismatch and particularly vulnerable to crises. Further, it appears very difficult to engineer a noncrisis transition to more flexibility. In this context, he makes the case of an exchange rate regime that he calls managed floating plus, which enables countries to maintain some monetary independence while actively targeting inflation and taking measures to reduce currency mismatch. Goldstein also argues that standard analyses of debt sustainability are likely to be overly optimistic, typically paying inadequate attention to a country's ability to generate foreign exchange. He suggests that more conservative approaches are warranted and also strongly supports recently proposed measures to make debt restructuring both more timely and more orderly.