

The Political Economy of Exchange Rate Regime Duration: A Survival Analysis

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This paper examines the role that political, institutional and economic factors played in exchange rate regime duration in 49 developing countries within the time period 1974-2000. Set in the framework of survival analysis, I characterize and model the times to exit for a fixed exchange rate regime using a Cox model. The empirical analysis shows that exchange rate regime choice is not a purely theoretical issue, but strongly depends on partisan and institutional incentives such as the political color of the government in power, the number of veto players and the degree of central bank independence.

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