

WAS THE CURRENCY CRISIS IN ARGENTINA SELF-FULFILLING?

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Abstract

This paper analyzes the 2002 Argentine crisis using the Jeanne and Masson (2000) model with sunspots. Testing this model empirically through a Markov-switching model suggests that self-fulfilling prophecies is a reasonable explanation for the devaluation of the *peso*.

Keywords: Currency crises, multiple equilibria, Markov-switching.

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