

Does exchange rate regime explain differences in economic results for Asian countries?

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The paper aims at determining whether exchange rate regimes have an impact on inflation and growth. We use a sample of ten major Asian countries for the period 1990:01-2002:04 . First, we try to improve upon existing *de facto* classifications, as the most famous one (by Levy-Yeyati and Sturzenegger, 2000) leads to some inconclusive observations. We propose a new statistical method for identifying *de facto* exchange rate regimes: observations are classified into four categories: float, managed float, crawling peg and peg. The procedure includes several steps: successively taking into account the trends in the exchange rate levels, the variances in the exchange rates and forex reserves changes. Devaluation periods are also identified. This method yields quarterly results, that are checked to be consistent with common knowledge: most South Asian countries had *de facto* pegs before the Asian crisis and let their currency float afterwards. Second, we use this classification for assessing the effects of exchange rates regimes on inflation and growth. We perform pooled regressions with lagged exchange rate regimes dummies and several control variables. Results show that pegs are associated with weaker growth and lower inflation. Flexible exchange rates are associated with more inflation, however they have no significant effect on growth. These results are more or less consistent with those found by Ghosh and alii (1997) on a larger sample, while they notably differ from those found by Levy-Yeyati and Sturzenegger (2000).

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