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MATURITY STRUCTURE OF FOREIGN DEBTS IN THE PRESENCE OF A POSSIBLE TWIN CRISIS

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ABSTRACT

The objective of this paper is to analyze the effect of a probable financial crisis triggered by bank runs and the consequent currency crisis on the optimal choice of maturity structure of foreign debts. Theoretical analyses of the maturity structure suggest some macroeconomic policies that the emerging markets can adopt in the form of financial regulations and exchange rate management. During the transition period from closed or controlled capital market to liberalized capital market, these policies should help the developing countries to prevent the occurrence of crisis.