

Comment

Carlos Winograd: The paper by Kaminsky, Mati, and Choueiri makes an interesting contribution toward disentangling the role of both domestic and foreign factors in shaping currency crises in Argentina since 1970. Nevertheless, I suggest that the following issues be addressed.

The link between the motivation and the sample period used in the econometric estimations is not clear cut. On the one hand, the paper starts with a motivation concerned with the long view of Argentina and international financial markets since the beginning of the nineteenth century, but the sample only starts in 1970. On the other hand, the authors mention that “in the midst of the worst current international financial crisis since the Great Depression, untangling the roots of financial distress becomes crucial.” While the question seems relevant, the authors only extend their focus through 2001. I suggest that the authors make clearer the link between the motivation and the sample period, explaining carefully the choices made.

The authors should make an effort to clarify why they think the technique they use is the most appropriate for the problem at hand. This issue was already mentioned at the Thirteenth Annual Meeting of the LACEA in Rio in 2008. In particular, while (structural) VAR models seem suitable to evaluate the impact of external and domestic variables over continuous variables, they are less appropriate for modeling dichotomic variables. Since currency crises are not continuous but dichotomic, maybe a dynamic probit-logit approach would be more appropriate. The authors seem to recognize this point when they compute the probability of a currency collapse in equation 14.

Since the structured VAR results heavily depend on the restrictions suggested by the theoretical model presented in the second section, more care should be taken in developing and justifying the theoretical model. For example, what is the relevance of foreign variables when the country does not have access to international markets? Why doesn't the fiscal deficit depend on output? Why doesn't output depend on credit and vice versa? Why does the

fiscal deficit follow a random walk? These are just a few questions that should be addressed in the theoretical section.

The authors also should carefully explain why they prefer to split the sample into fixed and dual exchange rate regimes instead of estimating, for example, a Markov switching regime model with two regimes. This would have the advantage of leading to more efficient estimates than just splitting the sample. It is also unclear why the authors did not handle the presence of breaks within the VAR framework.

There is no table including the output of the structural VAR estimations, together with residual diagnostic tests. A presentation and discussion of such results (significance of variables, multivariate normality, multivariate absence of autocorrelation, and so forth.) should be included.

The section on results can be made much more reader friendly by streamlining it to emphasize those results that are more relevant to the main goal of the paper.

Finally, the conclusion could provide clear policy prescriptions. Hence, based on the estimation results, which policies would the authors suggest to help Argentina avoid or mitigate the consequences of a currency crisis?

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