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A Political-Economic Model of the Choice of Exchange Rate Regime

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A Political-Economic Model of the Choice of Exchange Rate Regime

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Abstract

Facing electoral uncertainty, a government chooses its exchange regime in a trade-off among three incentives: (i) tying the hands of its opponent should it lose the election; (ii) facilitating its own future policy implementation should it win the election; and (iii) increasing its chance of reelection.

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