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Autore	Ruiz-Arranz Marta
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exports of goods and services, 1990-2007; 4. Reserves in percent of short-term debt, 1990-2007; 5. Reserves in percent of gross external liabilities, 1990-2007; 6. Asia Emerging Markets: External Liabilities, 1990-2006

7. Reserves in percent of broad money, 1990-2007 8. Reserves to Financial System Deposits, Equities, and Bonds, 1990-2005; 9. The Optimal Level of International Reserves, 2007; 10. Optimal vs. Actual Levels of International Reserves in Asia; 11. The Optimal Level of International Reserves and Traditional Reserve Adequacy Indicators; 12. International Reserves and Threshold Estimates; Appendix; A.1. Variable Definitions and Sources; A.2. Summary Statistics; References

Sommario/riassunto

Empirical analysis does not suggest that reserves are "too high" in the majority of Asian countries, though China may be a special case. Much of the reserve increase in Asia can be explained by an optimal insurance model under which reserves provide a steady source of liquidity to cushion the impact of a sudden stop in capital inflows on output and consumption. Moreover, the benefits of reserves in terms of reduced spreads on privately held external debt further explains the observed growth in reserves since 1997-98. Using threshold estimation techniques, the paper shows that most of Asia
