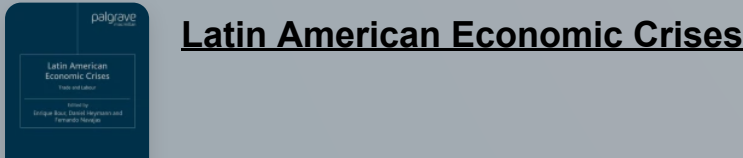


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Contagion in Emerging Markets: When Wall Street is a Carrier

| Chapter

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undoubtedly a more encompassing measure of a country's deficit. Mexico showed some weakness in this respect, as its current account deficit was about 8 per cent in 1994 and was programmed to rise to 9 per cent in 1995. This was considered 'unsustainable' for Mexico, given its poor growth record.¹ The new crisis paradigm had hardly begun when Asia fell into disarray. The unsustainability flag could not easily be raised in this instance, especially for countries like Korea and Indonesia. For the first time, conventional wisdom turned its attention to what is likely to be central to all recent crises, namely, financial-sector weaknesses.

A draft version of this chapter was presented to the AEA 1999 New York Meetings, and the Winter Camp in International Finance, organized by the Center for International Economics (University of Maryland) and the Faculty of Economics (Universidad de los Andes, Bogotá, Colombia) in Cartagena, Colombia, 7–11

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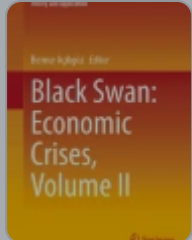
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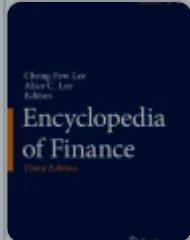
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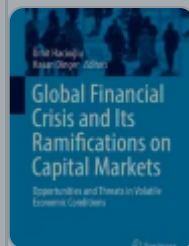
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