// Abstract (summary):

Over the last thirty five years many emerging and developing countries experienced severe financial crises. Two stand-alone essays of this dissertation respectively examine: (i) Empirical characteristics of commonly used measures of international financial crises, specifically "sudden stop" and currency crisis measures; and (ii) The role of twin deficits (joint occurrence of fiscal and current account deficits) on the probability of sudden stops across the decades of the 1970s, 80s and 90s.

Sudden stop and currency crisis measures are analyzed using the annual data of 25 emerging market countries from 1990 to 2003. According to the study, sudden stops are more likely to precede currency crises and the output costs are higher when both crises occur simultaneously. Less than half of the sudden stops occur simultaneously with currency crises, while less than 60 percent of currency crises are accompanied by sudden stops. This examination led to the grouping of sudden stop and currency crisis episodes in the following categories: sudden stops that lead to currency crises (introduced here as "twin crises," another kind of twin crises, not the one that refers to joint banking and currency crises) and sudden stops without currency crises. Twin crises have the highest output losses. Moreover, high current account deficits and large portfolio and bank flows could be used as early warning signs to predict twin crises.

The relationship between twin deficits (simultaneous fiscal and current account deficits) and sudden stops across the three decades is examined with Probit analysis using the annual data of 42 developing countries (25 of them are emerging market countries) from 1970 to 2004. Results support the hypothesis that the magnitude of twin deficit effects declined over the decades, but twin deficits have not disappeared in the 90s and they still played a significant role in the likelihood of a sudden stop.