Abstract (summary):

The 1990s witnessed several prominent external crises in emerging markets in which these countries were abruptly and unexpectedly cut off from the international capital markets, leaving their economies in dire financial straits and teetering on the brink of a complete collapse. These crises--commonly referred to as sudden stops--now constitute a major topic of policy concern and of academic research. While the literature has made much headway in better understanding this phenomena, care must be taken that these crises are not overly generalized. This cautionary note motivates the underlying theme of the three essays what compose this dissertation: sudden stop crises occur in many different shades and have been conceptually interpreted in the literature as very different phenomena.

Empirically defining sudden stop crises is an inherently subjective exercise, and as such, it is not surprising various definitions exist in the literature. The first essay of this dissertation reviews definitions used in the literature to identify sudden stops and discusses the implications of their dissimilarities. The results in this essay suggest researchers should heed considerable caution when comparing empirical results within the sudden stop literature, since in some instances it amounts to little more than an apples-to-oranges comparison despite studies referencing the same type of external crisis.

The second essay considers the near-ubiquitous assumption in the literature involving the output costs of sudden stop crises that their magnitudes are sufficiently homogenous to treat them as such. Contrary to this literature, this essay finds that the intensity of these crises does help determine the resulting output loss, with estimates for ranging from effectively no impact up to an 11% loss in GDP growth.

The third essay considers a recent argument made in the literature that a non-trivial number of sudden stop crises in emerging markets occur largely because of domestic capital flight. This essay extends these papers' methodologies in several important ways and finds that domestic capital flows often fail to display a marked change in behavior during a sudden stop crisis and thus play only a minor role in exacerbating these crises.