

## **Abstract (summary):**

During the past two decades or so, the controversial topic of the causes of currency and banking crises (financial crises) has received a great deal of attention from economists. Some attribute crises mainly to financial liberalization and exchange rate policies etc. via different channels, for instance, excessive domestic or international lending and borrowing (credit booms). As a result, lots of empirical studies of the financial liberalization effects on banking crises likelihood have been conducted. Likewise, the causal link between exchange rate regimes and banking crises has become a very popular topic of research. However, these two linkages have been investigated separately. This study is the first to investigate the interactions among these linkages.

Using the panel data from 1990-2005 for 77 countries, including 19 industrial countries, 28 emerging market countries, and 30 developing countries, this dissertation empirically investigates whether the relationships between the financial liberalization and banking crises, as well as credit booms or excessive credit growth, vary across different types of exchange rate regimes. Phrased alternatively, it asks what roles exchange rate regimes have on these relationships.

The results suggest that intermediate regimes seem to have the largest impacts on the causal link of financial liberalization and banking crises, which indirectly support the unstable middle hypothesis. However, the study doesn't find any significant differences of the effects on the relationship among hard pegs and independent floats. In addition, in the case of credit booms, only a few intermediate regimes have larger effects on the relationship between financial liberalization and credit boom relative to the two corners of fixed and flexible rates. The study also finds the independent floats tend to be associated with the least effect on the financial liberalization and credit booms relationship. This finding is in the line with a view that a greater flexibility of exchange rate regimes should reduce a moral hazard problem of excessive borrowing and lending.