

Abstract (summary):

During the last few years there has been considerable interest in the classification of exchange rates in order to investigate a wide range of hypotheses including the relationships of alternative exchange rate regimes with inflation and growth. In this sense, the main objective of this dissertation is to analyze the evolution of the exchange rate regimes for six countries located in Central America during the last four decades. In order to evaluate these developments, I review recent efforts and advances that have been made in the construction of behavioral measures to classify exchange rate regimes and their relationship with economic performance. As it has become widely recognized that official classifications of exchange rate regimes can often be quite misleading particularly for small economies like the ones located in this region, in the first chapter, I review a methodology that argues that at least two parameters are needed to adequately classify exchange rate regimes: trend rate of change and behavior with respect to deviations from trend. Finally, in the second chapter, I analyze the relationship between the exchange rate regimes and the economic performance in Central America.