Why the Interest in Reform? General Discussion

In the general discussion, **Agustin Carstens** noted that any proposal for adopting a supranational currency should spell out the prerequisites that a country must satisfy for participating in the union, as Europe did with the Maastricht convergence criteria. In this respect, he argued that the current weakness of Mexico's banking system and public finances would render difficult any exchange rate arrangement that did not call for a lender of last resort. As concerns the desirability of such an arrangement, Carstens contended that Mexico's recent experience with a floating regime has been quite successful. However, **Hausmann** noted that Mexico's success at limiting exchange rate volatility has come at the cost of large swings in interest rates that have made financial intermediation problematic.

Many participants asked what collateral would be acceptable to an international lender of last resort in countries lacking natural resources such as oil. Hausmann replied that in a currency union, seigniorage revenues redistributed to the participating countries would constitute prime collateral. When **Charles Freedman** suggested that a history of hyperinflation might be the explanation for the currency and maturity mismatches that plague many developing countries, Hausmann replied that while a history of hyperinflation is surely of no help, a decade of low inflation in Argentina has not been sufficient to establish a long-term market in pesos. **Jack Boorman** expressed doubts that Malaysia's emergency controls had had any positive impact on the country's performance, and **Gyohten** countered that the controls did not prove disruptive to the extent envisaged by many observers. Finally, **Linda Tsao Yang** noted that Gyohten's remarks that Asia would have $600 billion of reserves to establish a regional credit facility did not take into account the fact that half of that sum is owned by China, which is not likely to agree to such a facility.