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BRICS CURRENCY VOLATILITY: CONFUSION OR INDECISION ?

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Abstract. The year 2008 will be remembered when the world experienced the biggest financial crisis since the depression of the 1930's. The years that followed 2008 will be remembered as the years of uncertainty about sustainable recovery and governments' trouble to manage their enormous fiscal debt. The consequence of these developments was currency volatility. International investors adjusted their risk profiles regarding BRICS countries since the crisis and these countries received billions of new investments. The question arises what these countries can do to stop this appreciation of their exchange rates which influences their exports and therefore their recovery negatively. On the one extreme China continued to manage their exchange rate regardless of heavy international criticism whilst on the other extreme taxes are levied by Brazil on capital inflows. This paper will analyse various tactics available to authorities in BRICS countries to reduce volatility of their currencies and the proposal for a new international reserve currency.

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