



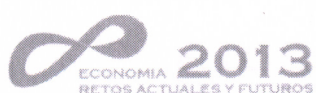
**FACULTAD DE ECONOMÍA**



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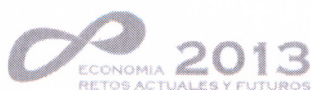
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Since Ecuador and El Salvador adopted more than a decade ago the US dollar as their local currency, "dollarization" turned into an important issue for economists in these countries, and a curiosity in broader academic circles. But academic literature on this topic is quite scarce and mainly focused on determining possible benefits of dollarization under specific conditions for some economies, mainly through the Mundell's Optimum Currency Area (OCA) approach, or for the specific case of Ecuador, by defining which should be the role of its Central Bank in this new monetary context after losing its capability for emission of local currency and as the last resort lender.

While the OCA approach studies focus on determining favorable conditions for dollarization based on the openness of economies, their volume of trade with the US, and the prevention of the negative side effects of devaluating their own currency as means to enface external shocks among others, the real living in a dollarized economy poses other issues more practical and recently related to the global monetary and financial framework, especially in face to the possible effects of a crisis as it of 2008. In this sense, sustainability of the same dollarization and its relation with the balance of payments turn into the main concerns of economists and policy makers, more than the now almost trivial issues related to discussions around the equivalence of dollarization with a fixed exchange rate regime or the speculative analysis of the future role of the US dollar in a world with a couple or a little more of strong foreign currencies.

For these now real concerns there is neither literature nor theory to explain the real extent in which dollarization is performing and conditioning dollarized economies. This lack of research embraces in one side the theoretical nature of dollarization in regard to a possible new meaning of money and its dynamics, at least in the economy which adopts as its own, not just a foreign currency, but the "hegemonic" one. By other side, in the field of practical issues, there is not specific literature mainly in how the monetary interactions are operating within and out of the

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dollarized economy. There is such no knowledge that the same IMF 6th version of the Balance of Payments Manual roughly mentions dollarization as a special case of monetary unions. So, there is the need to explore these relatively unknown fields to which this research is aimed.