

This PDF is a selection from a published volume from the
National Bureau of Economic Research

Volume Title: Capital Controls and Capital Flows in Emerging
Economies: Policies, Practices and Consequences

Volume Author/Editor: Sebastian Edwards, editor

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-18497-8

Volume URL: <http://www.nber.org/books/edwa06-1>

Conference Date: December 16-18, 2004

Publication Date: May 2007

Title: Front matter, acknowledgments, table of contents

Author: Sebastian Edwards

URL: <http://www.nber.org/chapters/c10663>



National
Bureau of
Economic
Research

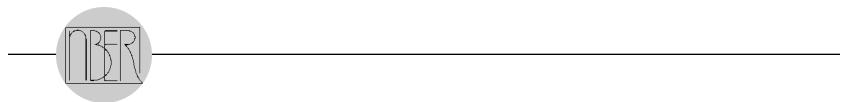
Capital Controls and Capital Flows in Emerging Economies

POLICIES, PRACTICES, AND CONSEQUENCES

The background of the cover features a faint, abstract illustration of a globe. The globe is rendered in a translucent, multi-colored style with shades of blue, purple, and red, giving it a liquid or ink-like appearance. The continents are visible through the translucent layers.

EDITED BY SEBASTIAN EDWARDS

Capital Controls and Capital Flows in Emerging Economies



**A National Bureau
of Economic Research
Conference Report**



Capital Controls and Capital Flows in Emerging Economies

Policies, Practices, and Consequences

Edited by **Sebastian Edwards**

The University of Chicago Press

Chicago and London

SEBASTIAN EDWARDS is the Henry Ford II Professor of International Business Economics at the Anderson Graduate School of Management at the University of California, Los Angeles, and a research associate of the National Bureau of Economic Research.

The University of Chicago Press, Chicago 60637
The University of Chicago Press, Ltd., London
© 2007 by The University of Chicago
All rights reserved. Published 2007
Printed in the United States of America

16 15 14 13 12 11 10 09 08 07 1 2 3 4 5
ISBN-13: 978-0-226-18497-5 (cloth)
ISBN-10: 0-226-18497-8 (cloth)

Library of Congress Cataloging-in-Publication Data

Capital controls and capital flows in emerging economies : policies, practices and consequences / edited by Sebastian Edwards.

p. cm. — (NBER conference report)

Includes bibliographical references and index.

ISBN-13: 978-0-226-18497-5 (cloth : alk paper)

ISBN-10: 0-226-18497-8 (cloth : alk paper)

1. Capital movements—Developing countries—Congresses.

I. Edwards, Sebastian, 1953—

HG3891 .C356 2007

332'.042409172—dc22

2006045683

⊗ The paper used in this publication meets the minimum requirements of the American National Standard for Information Sciences—Permanence of Paper for Printed Library Materials, ANSI Z39.48-1992.

National Bureau of Economic Research

Officers

Elizabeth E. Bailey, <i>chairman</i>	Robert Mednick, <i>treasurer</i>
John S. Clarkeson, <i>vice-chairman</i>	Kelly Horak, <i>controller and assistant corporate secretary</i>
Martin Feldstein, <i>president and chief executive officer</i>	Gerardine Johnson, <i>assistant corporate secretary</i>
Susan Colligan, <i>vice president for administration and budget and corporate secretary</i>	

Directors at Large

Peter C. Aldrich	Jessica P. Einhorn	Laurence H. Meyer
Elizabeth E. Bailey	Martin Feldstein	Michael H. Moskow
John H. Biggs	Jacob A. Frenkel	Alicia H. Munnell
Andrew Brimmer	Judith M. Gueron	Rudolph A. Oswald
John S. Clarkeson	Robert S. Hamada	Robert T. Parry
Don R. Conlan	Karen N. Horn	Richard N. Rosett
Kathleen B. Cooper	Judy C. Lewent	Marina v. N. Whitman
George C. Eads	John Lipsky	Martin B. Zimmerman

Directors by University Appointment

George Akerlof, <i>California, Berkeley</i>	Joel Mokyr, <i>Northwestern</i>
Jagdish Bhagwati, <i>Columbia</i>	Andrew Postlewaite, <i>Pennsylvania</i>
Ray C. Fair, <i>Yale</i>	Uwe E. Reinhardt, <i>Princeton</i>
Michael J. Brennan, <i>California, Los Angeles</i>	Nathan Rosenberg, <i>Stanford</i>
Glen G. Cain, <i>Wisconsin</i>	Craig Swan, <i>Minnesota</i>
Franklin Fisher, <i>Massachusetts Institute of Technology</i>	David B. Yoffie, <i>Harvard</i>
Saul H. Hymans, <i>Michigan</i>	Arnold Zellner (Director Emeritus), <i>Chicago</i>
Marjorie B. McElroy, <i>Duke</i>	

Directors by Appointment of Other Organizations

Richard B. Berner, <i>National Association for Business Economics</i>	Robert Mednick, <i>American Institute of Certified Public Accountants</i>
Gail D. Fosler, <i>The Conference Board</i>	Angelo Melino, <i>Canadian Economics Association</i>
Martin Gruber, <i>American Finance Association</i>	Jeffrey M. Perloff, <i>American Agricultural Economics Association</i>
Arthur B. Kennickell, <i>American Statistical Association</i>	John J. Siegfried, <i>American Economic Association</i>
Thea Lee, <i>American Federation of Labor and Congress of Industrial Organizations</i>	Gavin Wright, <i>Economic History Association</i>
William W. Lewis, <i>Committee for Economic Development</i>	

Directors Emeriti

Carl F. Christ	Franklin A. Lindsay	Eli Shapiro
George Hatsopoulos	Paul W. McCracken	Arnold Zellner
Lawrence R. Klein	Peter G. Peterson	

**Relation of the Directors to the
Work and Publications of the
National Bureau of Economic Research**

1. The object of the NBER is to ascertain and present to the economics profession, and to the public more generally, important economic facts and their interpretation in a scientific manner without policy recommendations. The Board of Directors is charged with the responsibility of ensuring that the work of the NBER is carried on in strict conformity with this object.
2. The President shall establish an internal review process to ensure that book manuscripts proposed for publication DO NOT contain policy recommendations. This shall apply both to the proceedings of conferences and to manuscripts by a single author or by one or more co-authors but shall not apply to authors of comments at NBER conferences who are not NBER affiliates.
3. No book manuscript reporting research shall be published by the NBER until the President has sent to each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the above principles of the NBER. Such notification will include a table of contents and an abstract or summary of the manuscript's content, a list of contributors if applicable, and a response form for use by Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied and the main conclusions reached.
4. No volume shall be published until forty-five days have elapsed from the above notification of intention to publish it. During this period a copy shall be sent to any Director requesting it, and if any Director objects to publication on the grounds that the manuscript contains policy recommendations, the objection will be presented to the author(s) or editor(s). In case of dispute, all members of the Board shall be notified, and the President shall appoint an ad hoc committee of the Board to decide the matter; thirty days additional shall be granted for this purpose.
5. The President shall present annually to the Board a report describing the internal manuscript review process, any objections made by Directors before publication or by anyone after publication, any disputes about such matters, and how they were handled.
6. Publications of the NBER issued for informational purposes concerning the work of the Bureau, or issued to inform the public of the activities at the Bureau, including but not limited to the NBER Digest and Reporter, shall be consistent with the object stated in paragraph 1. They shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The Executive Committee of the Board is charged with the review of all such publications from time to time.
7. NBER working papers and manuscripts distributed on the Bureau's web site are not deemed to be publications for the purpose of this resolution, but they shall be consistent with the object stated in paragraph 1. Working papers shall contain a specific disclaimer noting that they have not passed through the review procedures required in this resolution. The NBER's web site shall contain a similar disclaimer. The President shall establish an internal review process to ensure that the working papers and the web site do not contain policy recommendations, and shall report annually to the Board on this process and any concerns raised in connection with it.
8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.

Contents

Acknowledgments	ix
Introduction Sebastian Edwards	1
I. CAPITAL CONTROLS IN THE EMERGING COUNTRIES: ANALYTICAL ISSUES AND CROSS-COUNTRY EVIDENCE	
1. Capital Flows in a Globalized World: The Role of Policies and Institutions Laura Alfaro, Sebnem Kalemli-Ozcan and Vadym Volosovych <i>Comment:</i> Gerd Häusler	19
2. Capital Controls, Sudden Stops, and Current Account Reversals Sebastian Edwards <i>Comment:</i> Alan M. Taylor	73
3. Currency Mismatches, Debt Intolerance, and Original Sin: Why They Are Not the Same and Why It Matters Barry Eichengreen, Ricardo Hausmann, and Ugo Panizza <i>Comment:</i> Joshua Aizenman	121
4. The Microeconomic Evidence on Capital Controls: No Free Lunch Kristin J. Forbes <i>Comment:</i> Charles W. Calomiris	171

5. The International Exposure of U.S. Banks: Europe and Latin America Compared	203
Linda S. Goldberg	
<i>Comment:</i> Matías Braun	
II. COUNTRY STUDIES	
6. International Borrowing, Capital Controls, and the Exchange Rate: Lessons from Chile	241
Kevin Cowan and José De Gregorio	
7. International Borrowing and Macroeconomic Performance in Argentina	297
Kathryn M. E. Dominguez and Linda L. Tesar	
<i>Comment:</i> Nicolas Magud	
8. Capital Flows and Controls in Brazil: What Have We Learned?	349
Ilan Goldfajn and André Minella	
9. The Chinese Approach to Capital Inflows: Patterns and Possible Explanations	421
Eswar Prasad and Shang-Jin Wei	
10. South Korea's Experience with International Capital Flows	481
Marcus Noland	
<i>Comment:</i> Gita Gopinath	
11. Malaysian Capital Controls: Macroeconomics and Institutions	529
Simon Johnson, Kalpana Kochhar,	
Todd Mitton, and Natalia Tamirisa	
<i>Comment:</i> Peter Blair Henry	
12. Capital Flows and Exchange Rate Volatility: Singapore's Experience	575
Basant K. Kapur	
<i>Comment:</i> Anusha Chari	
13. India's Experience with Capital Flows: The Elusive Quest for a Sustainable Current Account Deficit	609
Ajay Shah and Ila Patnaik	
14. Capital Controls: An Evaluation	645
Nicolas Magud and Carmen M. Reinhart	
Contributors	675
Author Index	679
Subject Index	685

Acknowledgments

The editor wishes to thank Carl Beck and Rob Shannon from the National Bureau of Economics Research Conference Department for their help in organizing the conference. We are grateful to Helena Fitz-Patrick from the NBER Publications Department and Parker Smathers from the University of Chicago Press for their assistance in putting together this volume. Marty Feldstein supported the project throughout its different stages; without his help, it would not have been possible. Finally, I thank the Andrew W. Mellon Foundation and the Starr Foundation for their generous financial support.

