
IMF – Singapore Regional Training Institute (STI)
Course on Managing Capital Flows:
Macroeconomic Analysis and Policies (ST17.12)
June 5 – 16, 2017
Reading List

Monday, June 5, L-1 Introductory Lecture

IMF, 2009, World Economic Outlook (Chapter 4, October 2009).

IMF, 2011, “Recent Experiences in Managing Capital Inflows—Cross-Cutting Themes and Possible Policy Framework”.

IMF, 2015, World Economic Outlook (October 2015).

IMF, 2012a, “Liberalizing Capital Flows and Managing Outflows”.

IMF, 2012b, “The Liberalization and Management of Capital Flows: An Institutional View”.

IMF, 2012c, “Liberalizing Capital Flows and Managing Outflows—Background Paper”.

IMF, 2016, “Capital Flows—Review of Experience with the Institutional View”.

Chinn, Menzie D. and Hiro Ito, 2006, "What Matters for Financial Development? Capital Controls, Institutions, and Interactions," *Journal of Development Economics*, Volume 81, Issue 1, Pages 163-192 (October).

Lane, Philip R. and Gian Maria Milesi-Ferretti, 2007, "The external wealth of nations mark II: Revised and extended estimates of foreign assets and liabilities, 1970–2004", *Journal of International Economics*, 73, November, 223-250.

Monday, June 5, L-2 Balance of Payments: A Refresher

Bluendorn, Duttagupta, Guajardo, Topalova (2013) Capital flows are Fickle: Anytime, Anywhere

Broner, Didier, Erce, Schmukler (2013) Gross capital flows: Dynamics and crises *Journal of Monetary Economics*, 60 Pag 113-133

IMF 2009, Balance of Payments Manual BoP6

IMF 2015, Balance of Payments Year Book

Tuesday, June 6, L-3 and L-4 Measuring Financial Integration I & II

Acharya and Schanabl (2012), Do Global Banks Spread Global Imbalances? Asset-Backed Commercial Paper during the Financial Crisis of 2007-2009 IMF Economic Review, 58(1), 37-73, August 2010,

Brookings (2012), Banks and Capital Flows: Policy Challenges and Regulatory Responses, September 26, 2012

Brookings (2012), Banks and Cross-Border Capital Flows: Policy Challenges and Regulatory Responses

Chinn, Menzie D. and Hiro Ito (2006). "What Matters for Financial Development? Capital Controls, Institutions, and Interactions," Journal of Development Economics, Volume 81, Issue 1, Pages 163-192 (October).

Claudio Borio & Piti Disyatat, 2015. "Capital flows and the current account: Taking financing (more) seriously," BIS Working Papers 525, Bank for International Settlements.

Council of Economic Advisers, 2009. Economic Report of the President, 2009. U.S. GPO, Washington, DC. Chapter 2 Housing and financial markets.

Fernandez A, Klein M. W., Rebucci A, Schindler M. and Uribe M. , 2015. "Capital Control Measures; A New Dataset," IMF Working Papers 15/80, International Monetary Fund.

Ma, G & McCauley, R N., 2013. "Is China or India more financially open?," Journal of International Money and Finance, vol. 39(C), pages 6-27.

Nicolas E. Magud, Reinhart and Rogoff (2007). "Capital Controls: Myth and Reality A Portfolio Balance Approach to Capital Controls," Federal Reserve Bank of San Francisco Working Paper Series 2007-31

Obstfeld, Maurice. 2012. "Does the Current Account Still Matter?." American Economic Review, 102(3):1-23.

Philip R. Lane and Gian Maria Milesi-Ferretti (2007), "The external wealth of nations mark II: Revised and extended estimates of foreign assets and liabilities, 1970–2004", Journal of International Economics 73, November, 223-250.

Pierre-Olivier Gourinchas, Hélène Rey, Chapter 10 - External Adjustment, Global Imbalances, Valuation Effects, In: Gita Gopinath, Elhanan Helpman and Kenneth Rogoff, Editor(s), Handbook of International Economics, Elsevier, 2014, Volume 4, Pages 585-645.

Valentina Bruno & Hyun Song Shin, 2015. "Cross-Border Banking and Global Liquidity," Review of Economic Studies, Oxford University Press, vol. 82(2), pages 535-564.

Wednesday, June 7, L–5 Long Run Determinants of Capital Flows

Barro, Robert J & Mankiw, N Gregory & Sala-i-Martin, Xavier, 1995. "Capital Mobility in Neoclassical Models of Growth," *American Economic Review*, American Economic Association, vol. 85(1), pages 103-15

Pierre-Olivier Gourinchas & Olivier Jeanne, 2006. "The Elusive Gains from International Financial Integration," *Review of Economic Studies*, Oxford University Press, vol. 73(3), pages 715-741.

Lucas, Robert (1990). "Why doesn't Capital Flow from Rich to Poor Countries?". *American Economic Review* 80 (2): 92–96

Pierre-Olivier Gourinchas & Olivier Jeanne, 2013. "Capital Flows to Developing Countries: The Allocation Puzzle," *Review of Economic Studies*, Oxford University Press, vol. 80(4), pages 1484-1515.

Robin Koepke, 2015. "What Drives Capital Flows to Emerging Markets? A Survey of the Empirical Literature", MPRA Paper 62770, University Library of Munich, Germany.

Thursday, June 8, L–6 Macroeconomic Volatility and Capital flows

Key references:

Mendoza, E. and Marco Terrones. 2008. "An Anatomy of Credit Booms: Evidence from Macro Aggregates and Micro Data." NBER w.p. 10.3386/w14049

Reinhart, Carmen, and Vincent Reinhart. 2009. "Capital Flow Bonanzas: An Encompassing View of the Past and Present," in J.Frankel and C.Pissarides, eds., *NBER International Seminar in Macroeconomics 2008*, University of Chicago Press.

Dell'Ariccia, Giovanni, Paolo Mauro, Andre Faria, Jonathan David Ostry, Julian Di Giovanni, Martin Schindler, Ayhan Kose and Marco Terrones, 2008. "Reaping the Benefits of Financial Globalization. " *IMF Occasional Papers 264*, International Monetary Fund

Further readings:

Burns, Arthur F., and Wesley C. Mitchell. 1946. *Measuring Business Cycles* (New York, New York: National Bureau of Economic Research)

Contessi, Silvio, Pierangelo De Pace, and Johanna L. Francis. 2013. "The cyclical properties of disaggregated capital flows." *Journal of International Money and Finance*, (32): 528-555

Dell'Ariccia, Giovanni, Paolo Mauro, Andre Faria, Jonathan David Ostry, Julian Di Giovanni, Martin Schindler, Ayhan Kose and Marco Terrones, 2008. "Reaping the Benefits of Financial Globalization. " *IMF Occasional Papers 264*, International Monetary Fund

Faria Andre, and Paolo Mauro. 2004. "Institutions and the External Capital Structure of Countries." *IMF Working Paper WP/04/236*.

Forbes, Kristin J. and Francis E. Warnock. 2012. "Debt- and Equity-Led Capital Flow Episodes." In Carmen M. Reinhart & Miguel A. Fuentes (editors), *Capital Mobility and Monetary Policy*. Santiago, Chile: Central Bank of Chile

Forbes, K., and F. Warnock. 2011. "Capital Flow Waves: Surges, Stops, Flight and Retrenchment," NBER Working Paper 17351 (Cambridge: NBER).

Ghosh, Atish R., Qureshi, Mahvash S. and Kim, Jun Il & Zaldueño, Juan. 2014. "Surges." *Journal of International Economics*, Elsevier, 92(2): 266-285

Montiel, P.. 1998. "The Capital Flow Problem." World Bank w.p. 37135

Qureshi, Mahvash S., Jonathan D. Ostry, Atish R. Ghosh, and Marcos Chamon. 2012. "Tools for managing nancial-stability risks from capital inflows." *Journal of International Economics*, 88(2): 407-421.

Wei, Shang-Jin. 2006. "Connecting Two Views on Financial Globalization: Can We Make Further Progress?" NBER working paper

Wei, Shang-Jin. 2000. "Local Corruption and Global Capital Flows." *Brookings Papers on Economic Activity*, 0(2): 303-46.

Wei, Shang-Jin and Yi Wu. 2002. "Negative Alchemy? Corruption, Composition of Capital Flows, and Currency Crises," NBER Chapters, in: *Preventing Currency Crises in Emerging Markets*, pages 461-506 National Bureau of Economic Research, Inc.

World Economic Outlook, April 2016. "Understanding the Slowdown of Capital Flows to Emerging Markets." Chapter 2, pages 63-98. International Monetary Fund.

Friday, June 9, L-7 & L-8 Capital Account Liberalization: Financial Reforms, Crisis and Growth. I & II

Aizenman, Joshua, Menzie D. Chinn, and Hiro Ito (2013). "The 'Impossible Trinity' Hypothesis in an Era of Global Imbalances: Measurement and Testing," *Review of International Economics*, 21(3), 447-458.

Fischer, Bernhard, and Helmut Reisen (1994), *Financial Opening: Why, How, When*, International Center for Economic Growth (San Francisco: ICS Press).

IMF (2012a), *The Liberalization and Management of Capital Flows: An Institutional View*.

IMF (2012b), *Liberalizing Capital Flows and Managing Outflows—Background Paper*.

Klein, Michael (2012), "Capital Controls: Gates and Walls," paper presented at Brookings Panel on Economic Activity, September 13-14, 2012.

Prasad, Eswar and Raghuram Rajan (2008), "A Pragmatic Approach to Capital Account Liberalization," *Journal of Economic Perspectives*, 22(3), 149-172.

Williamson, John (1991), "On Liberalizing the Capital Account," Chapter 10 in in Richard O'Brien, ed., *Finance and the International Economy 5* (Oxford University Press).

Williamson, John (1997), "Orthodoxy is Right: Liberalize the Capital Account Last," in C. Thies and R. Sweeney, eds., *Capital Controls in Emerging Economies* (Boulder, Westview Press), pp. 13-16.

Monday, June 12, L-9 Financial Crisis: Why, When and How?

Kaminsky, Graciela, 2006. "Currency crises: Are they all the same?" *Journal of International Money and Finance* 25,3, 503-527

Laeven, Luc, and Fabian Valencia, 2008. "Systemic banking crises: a new database" *IMF Working Papers* 08/224

Reinhart, Carmen and Kenneth S. Rogoff, 2011. "From Financial Crash to Debt Crisis," *American Economic Review*, 101(5), 1676-1706

Graciela L. Kaminsky and Carmen M. Reinhart, 1999. "The Twin Crises: The Causes of Banking and Balance-Of-Payments Problems", 89, 73-500

Tuesday, June 13, L-11 Dealing with Capital Flows

Alfaro, L., A. Chari, F. Kanczuk, 2014. "The Real Effects of Capital Controls: Financial Constraints, Exporters, and Firm Investment." *Harvard Business School WP* 15-016.

Archer, D., 2005. "Foreign exchange market intervention: methods and tactics", *BIS Papers*, no. 24.

Auerbach and Gorodnichenko, 2016. "Effects of Fiscal Shocks in a Globalized World." *IMF Economic Review*, Palgrave Macmillan, vol. 64(1): 177-215.

Bianchi, J. 2011. "Overborrowing and Systemic Externalities in the Business Cycle." *AER*. Vol 101(7): 3400-26.

Blanchard, O. G. Adler, and I. de Carvalho Filho, 2015. Can foreign exchange intervention stem exchange rate pressures from global capital flow shocks? *NBER WP* 21427.

BIS Monetary and Economic Department, 2005. "Foreign exchange market intervention in emerging markets: an overview. *BIS Papers* 24.

Bruno, V. Hyun Song Shin, 2015. "Assessing Macroprudential Policies: Case of Korea." <http://www.nber.org/papers/w19084.pdf>

Cardarelli, Roberto, Selim Elekdag, and M. Ayhan Kose, 2009. "Capital Inflows: Macroeconomic Implications and Policy Responses." *IMF wp/09/40*.

Chinn, Menzie D. and Hiro Ito, 2006. "What Matters for Financial Development? Capital Controls, Institutions, and Interactions," *Journal of Development Economics*, Volume 81, Issue 1, Pages 163-192 (October).

Cowan, K. and J. De Gregorio, 2007. "International borrowing, capital controls and the exchange rate: lessons from Chile." In Edwards, S., *Capital Controls and Capital Flows in Emerging Economies: Policies, Practices and Consequences*, U. of Chicago Press.

Diaz-Alejandro, Carlos, 1985. "Good-bye Financial Repression, Hello Financial Crash," *Journal of Development Economics* 19, 1-24.

De Gregorio, Edwards, and Valdes, 2000. "Controls on Capital inflows: Do they work?" *Journal of Development Economy* 63(1): 59-83.

De Gregorio, J. and A. Tokman, 2005. "Flexible Exchange-rate regime and forex intervention", *BIS Papers*, no. 24, May, 127–138.

Disyatat, P. and G. Galati, 2005. "The effectiveness of foreign exchange intervention in emerging market countries", *BIS Papers*, no. 24.

Doroodian, K and T. Caporale, 2001. "Central Bank Intervention and Foreign Exchange Volatility", *International Advances in Economic Research* (7) 4.

Flood, R., and P. Garber, 1984. "Collapsing exchange rate regimes: Some linear examples." *Journal of International Economics* 17: 1-13.

Forbes, K., 2007. "One cost of the Chilean capital controls: Increased financial constraints for smaller traded firms." *Journal of International Economics* 71:294-323.

Gallego, F., L. Hernandez, K. Schmidt-Hebel, 1999. "Capital Controls in Chile: Effective, efficient?" WP 59 Central Bank of Chile.

IMF, 2012. *Fiscal rules*, Fiscal Affairs Department.

IMF, 2012. *The liberalization and management of capital flows; an institutional view*.

Korinek, 2011. "Systemic risk taking, amplification effects, externalities and regulatory responses" ECB WP 1345.

Korinek, 2014. "Regulating Capital Flows to Emerging Markets: An Externality View ." John Hopkins University mimeo.

Krugman, P., 1979. "A model of balance-of-payments crises," *Journal of Money, Credit and Banking*, August.

Magud, Nicolas E., C. Reinhart, and K. S. Rogoff, 2011. "Capital Controls: Myth and Reality – A Portfolio Balance Approach." NBER Working Paper 16805, Cambridge, MA, National Bureau of Economic Research.

Marston, R., 1995. *International financial integration: a study of interest differentials between the mayor industrial countries*. Cambridge University Press.

Monacelli, T and R. Perotti, 2007. "Fiscal Policy, the Trade Balance, and the Real Exchange Rate: Implications for International Risk Sharing." IGIER, Working Paper.

Moreno, M. and A. Segura-Ubiergo, 2014. “Real Exchange Rate Appreciation in Emerging Markets: Can Fiscal Policy Help?” IMF WP 14/1.

Neely, C., 1999. “An Introduction to Capital Controls.” Federal Reserve Bank of St Louis. November/December.

Jeanne, O. and A. Korinek, 2010. “Managing Credit Booms and Busts: A Pigouvian Taxation Approach,” NBER Working Papers 16377.

Ostry, J., A. Ghosh, M. Chamon, M. Qhreshi, 2011. “Capital Controls: When and Why” IMF Economic Review.

Rojas-Suarez, L., 2008. “Domestic Financial Regulations in Developing Countries: can they effectively limit of the impact of capital account volatility?” In Capital Market Liberalization and Development edited by Ocampo J.A. and J. Stiglitz. Oxford.

Montiel, Peter, 2014. Ten Crises Routledge chapter 2, pp 22-47.

Ravn, M.O., S. Schmitt-Grohe, and M. Uribe, 2007. “Explaining the Effects of Government Spending Shocks on Consumption, and the Real Exchange Rate,” NBER Working Paper No. 13328.

Sarno, L. and M. Taylor, 2001. “Official Intervention in the Foreign Exchange Market: Is It Effective and, If So, How Does It Work?” Journal of Economic Literature Vol. XXXIX (September), pp. 839–868.

Tapia, M., and A. Tokman, 2004. “Effects of foreign exchange intervention under public information: the Chilean case”, *Economía* 4, spring, 215–256.

Wednesday, June 14, L–12 & June 15, L–13 Dealing with Capital Flows II

Alfaro, L., A. Chari, F. Kanczuk, 2014. “The Real Effects of Capital Controls: Financial Constraints, Exporters, and Firm Investment.” Harvard Business School WP 15-016.

Archer, D., 2005. “Foreign exchange market intervention: methods and tactics”, BIS Papers, no. 24.

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- IMF, 2012. *Fiscal rules*, Fiscal Affairs Department.
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Marston, R., 1995. *International financial integration: a study of interest differentials between the mayor industrial countries*. Cambridge University Press.

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Moreno, M. and A. Segura-Ubierno, 2014. “Real Exchange Rate Appreciation in Emerging Markets: Can Fiscal Policy Help?” IMF WP 14/1.

Neely, C., 1999. “An Introduction to Capital Controls.” Federal Reserve Bank of St Louis. November/December.

Jeanne, O. and A. Korinek, 2010.”Managing Credit Booms and Busts: A Pigouvian Taxation Approach,” NBER Working Papers 16377.

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Rojas-Suarez, L., 2008. “Domestic Financial Regulations in Developing Countries: can they effectively limit of the impact of capital account volatility?” In *Capital Market Liberalization and Development* edited by Ocampo J.A. and J. Stiglitz. Oxford.

Montiel, Peter, 2014. *Ten Crises* Routledge chapter 2, pp 22-47.

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Sarno, L. and M. Taylor, 2001. “Official Intervention in the Foreign Exchange Market: Is It Effective and, If So, How Does It Work?” *Journal of Economic Literature* Vol. XXXIX (September), pp. 839–868.

Tapia, M., and A. Tokman, 2004. “Effects of foreign exchange intervention under public information: the Chilean case”, *Economía* 4, spring, 215–256.
