Regulating Capital Flows to Emerging Markets: 
An Externality View 

Anton Korinek∗
Johns Hopkins University and NBER 

December 2017

Abstract
We show that capital flows to emerging market economies create externalities that differ by an order of magnitude depending on the state-contingent payoff profile of the flows. Those with pro-cyclical payoffs, such as foreign currency debt, generate substantial negative pecuniary externalities because they lead to large repayments and contractionary exchange rate depreciations during financial crises. Conversely, capital flows with an insurance component, such as FDI or equity, are largely benign. We construct an externality pricing kernel and use sufficient statistics and DSGE model simulations to quantify the externalities that materialized during past financial crises. We find stark differences depending on the payoff profile, justifying taxes of up to 3% for dollar debt but close to zero for FDI. These findings contrast with the existing literature, which has suggested that policymakers should focus on reducing over-borrowing rather than changing the composition of external liabilities.

JEL Codes: F41, E44, D62, H23
Keywords: financial crises, financial amplification, capital controls, externality pricing kernel, macro-prudential regulation

∗The author would like to thank Viral Acharya, Julien Bengui, Javier Bianchi, Olivier Blanchard, Patrick Bolton, Alessandra Bonfiglioli, Phil Brock, Fernando Broner, Tiago Cavalcanti, Mick Devereux, Rex Ghosh, Gita Gopinath, Olivier Jeanne, Enrique Mendoza, Marcus Miller, Jonathan Ostry, Alessandro Rebucci, Carmen Reinhart, Joseph Stiglitz, Ccbdric Tille, Carlos Vegh, Ivcn Werning and Jianfeng Yu as well as participants at several conferences and seminars for helpful discussions and comments. I am also indebted to two anonymous referees and my editor, Charles Engel, who provided detailed comments on the manuscript. Financial support from INET/CIGI and from the IMF Research Fellowship is gratefully acknowledged. Contact information: 531 Wyman Hall, Johns Hopkins University, 3400 North Charles Street, Baltimore, MD 21218. Email: anton@korinek.com
دریافت فوری
متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات