

# FILE MANAGING CAPITAL FLOWS THE SEARCH FOR A FRAMEWORK

## **Managing Capital Flows**

Managing Capital Flows provides analyses that can help policymakers develop a framework for managing capital flows that is consistent with prudent macroeconomic and financial sector stability. While capital inflows can provide emerging market economies with invaluable benefits in pursuing economic development and growth, they can also pose serious policy challenges for macroeconomic management and financial sector supervision. The expert contributors cover a wide range of issues related to managing capital flows and analyze the experience of emerging Asian economies in dealing with surges in capital inflows. They also discuss possible policy measures to manage capital flows while remaining consistent with the goals of macroeconomic and financial sector stability. Building on this analysis, the book presents options for workable national policies and regional policy cooperation, particularly in exchange rate management. Containing chapters that bring in international experiences relevant to Asia and other emerging market economies, this insightful book will appeal to policymakers in governments and financial institutions, as well as public and private finance experts. It will also be of great interest to advanced students and academic researchers in finance.

## **Managing Capital Inflows**

Staff Discussion Notes showcase the latest policy-related analysis and research being developed by individual IMF staff and are published to elicit comment and to further debate. These papers are generally brief and written in nontechnical language, and so are aimed at a broad audience interested in economic policy issues. This Web-only series replaced Staff Position Notes in January 2011.

## **Recent Experiences in Managing Capital Inflows—Cross-Cutting Themes and Possible Policy Framework**

Emerging markets (EMs) are experiencing a surge in capital inflows, lifting asset prices and growth prospects. While inflows are typically beneficial for receiving countries, inflow surges can carry macroeconomic and financial stability risks. This paper reviews the recent experience of EMs in dealing with capital inflows and suggests a possible framework for IMF policy advice on the spectrum of measures available to policymakers to manage inflows, including macroeconomic policies, prudential measures and capital controls. Illustrative applications of this framework suggest that it may be appropriate for several countries, based on their current circumstances, to consider prudential measures or capital controls in response to capital inflows. The suggested framework is intended to inform staff policy advice to all Fund members with open capital accounts. It forms part of a broader effort to sharpen Fund surveillance, preserve evenhandedness, and foster greater global policy coordination. As indicated in the Supplement to this paper, this broader effort includes the development of “global rules of the game” on macroprudential policies, capital account liberalization, and reserve adequacy, and the preparation of spillover reports assessing spillovers from the five systemic economies—all of which will inform the current and broader framework being developed.

## **Capital Flows at Risk: Taming the Ebbs and Flows**

The volatility of capital flows to emerging markets continues to pose challenges to policymakers. In this paper, we propose a new framework to answer critical policy questions: What policies and policy frameworks are most effective in dampening sharp capital flow movements in response to global shocks? What are the near- versus medium-term trade-offs of different policies? We tackle these questions using a quantile regression framework to predict the entire future probability distribution of capital flows to emerging markets, based on current domestic structural characteristics, policies, and global financial conditions. This new approach allows policymakers to quantify capital flows risks and evaluate policy tools to mitigate them, thus building the foundation of a risk management framework for capital flows.

## **Taming the Tide of Capital Flows**

A comprehensive examination of policy measures intended to help emerging markets contend with large and volatile capital flows. While always episodic in nature, capital flows to emerging market economies have been especially volatile since the global financial crisis. After peaking at \$680 billion in 2007, flows to emerging markets turned negative at the onset of crisis in 2008, then rebounded only to recede again during the U.S. sovereign debt downgrade in 2011. Since then, flows have continued to swing wildly, leaving emerging market policy makers wondering whether they can put in place policies during the inflow phase that will soften the blow when flows subsequently recede. This book offers the first comprehensive treatment of policy measures intended to help emerging markets contend with large and volatile capital flows. The authors, all IMF experts, explain that, in the spirit of liberalization and deregulation in the 1980s and 1990s, many emerging market governments eliminated capital inflow controls along with outflow controls. By 2012, however, capital inflow controls were again acknowledged as legitimate policy tools. Focusing on the macroeconomic and financial-stability risks associated with capital flows, the authors combine theoretical and empirical analysis to consider the interaction between monetary, exchange rate, macroprudential, and capital control policies to mitigate these risks. They examine the effectiveness of various policy tools, discuss the practical considerations and multilateral implications of their use, and provide concrete policy advice for dealing with capital inflows.

## **Financial Openness and Capital Inflows to Emerging Markets: In Search of Robust Evidence**

We reassess the connection between capital account openness and capital flows in an empirical framework that is grounded in theory and makes use of previously unexplored variation in the data. We demonstrate how our theory-consistent regressions may overcome some ubiquitous measurement problems in the literature by relying on interaction terms between financial openness and traditional push-pull factors. Within our proposed framework, we ask: what can be said robustly about the effect of capital account restrictions on capital flows? Our results warrant against over-interpreting the existing cross-country evidence as we find very few robust relationships between capital account restrictiveness and various types of capital inflows. Countries with a higher degree of financial openness are more susceptible to some, but by no means all, push and pull factors. Overall, the results are still consistent with a complex set of tradeoffs faced by policymakers, where the ability to shield the domestic economy from volatile capital flow cycles must be weighed against the sources of exogenous risks and potential long run growth effects.

## **Managing Capital Flows-lessons from the Experience of Chile**

Liberalization of capital flows can benefit both source and recipient countries by improving resource allocation, reducing financing costs, increasing competition and accelerating the development of domestic financial systems. The empirical evidence, however, is mixed on the benefits, and it suggests that countries benefit most when they meet certain thresholds related to institutional and financial development. The principal cost of capital flow liberalization stems from the economic instability brought on by volatile capital flows. In extreme cases, sudden stops or reversals in capital inflows can trigger financial crises followed by prolonged periods of weak growth.

## **Liberalizing Capital Flows and Managing Outflows - Background Paper**

This book discusses the risks and opportunities that arise in Emerging Asia given the context of a new environment in global liquidity and capital flows. It elaborates on the need to ensure financial and overall economic stability in the region through improved financial regulation and other policy measures to minimize the emergent risks. "Managing Elevated Risk: Global Liquidity, Capital Flows, and Macroprudential Policy—An Asian Perspective" also explores the range of policy options that may be deployed to address the impact of global liquidity on domestic financial and socio-economic conditions including income inequality. The book is primarily aimed at policy makers, financial market regulators and supervisory agencies to help them improve national regulatory systems and to promote harmonization of national regulations and practices in line with global standards. Scholars and researchers will also gain important information and knowledge about the overall impacts of changing global liquidity from the book.

### **Managing Elevated Risk**

The prospects of expansionary monetary policies in the advanced countries for the foreseeable future have renewed the debate over policy options to cope with large capital inflows that are, at least partly, driven by low interest rates in the financial centers. Historically, capital flow bonanzas have often fueled sharp credit expansions in advanced and emerging market economies alike. Focusing primarily on emerging markets, we analyze the impact of exchange rate flexibility on credit markets during periods of large capital inflows. We show that bank credit grows more rapidly and its composition tilts to foreign currency in economies with less flexible exchange rate regimes, and that these results are not explained entirely by the fact that the latter attract more capital inflows than economies with more flexible regimes. Our findings thus suggest countries with less flexible exchange rate regimes may stand to benefit the most from regulatory policies that reduce banks' incentives to tap external markets and to lend/borrow in foreign currency; these policies include marginal reserve requirements on foreign lending, currency-dependent liquidity requirements, and higher capital requirement and/or dynamic provisioning on foreign exchange loans.

### **Capital Inflows, Exchange Rate Flexibility, and Credit Booms**

'Filled with fresh observations from the global financial crisis, this book provides a blueprint for making Asia's financial systems safe. With contributions from experts in several countries, it is both comprehensive and rigorous. It will be invaluable to policy makers and students of finance everywhere, but its unique Asian perspective provides special insight into the systems that managed to ride out the global crisis but absent further reform might set the stage for another one. The book's analysis and recommendations deserve urgent policy attention.' Peter Petri, Brandeis University, US 'What are the lessons of the global financial crisis of 2007/2009 for Asia? This is a key issue for Asia today. On one hand, some observers argue that following the Asian financial crisis in 1997/98, most Asian developing countries built up strong mechanisms to guarantee financial stability. But the recent financial shocks across America and Europe show that even the best financial systems have key weaknesses. This book is a valuable guide for Asian financial policy-makers of the road ahead.' Peter McCawley, Australian National University In light of the experience of the global financial crisis, this book develops concrete recommendations for financial sector reform and regulation in Asian economies aimed at preventing the recurrence of systemic financial crises, improving the ability to manage and resolve crises, managing capital flows, and promoting the development of Asian bond markets. The focus of the book is on longer-term structural measures. It explores areas such as the scope for regional monitoring and cooperation; deepening and integration of Asian bond and money markets; liberalization/regulation of capital flows; issues related to macroprudential oversight, regulatory structure and cooperation; as well as role of state intervention in crisis resolution in the financial sector. The need for and impacts of regulations on innovative financial products and specific investor groups such as hedge funds; ways to reduce systemic risk of pro-cyclicality of regulation; and ways to improve the infrastructure and regulatory environment for local currency bond markets, are also examined in depth. The book will appeal to public and private finance experts, policy and decisions makers in governments and banks, think-tanks, and

students in graduate courses related to financial and economic development.

## **Implications of the Global Financial Crisis for Financial Reform and Regulation in Asia**

The Financial Action Task Force's gray list publicly identifies countries with strategic deficiencies in their AML/CFT regimes (i.e., in their policies to prevent money laundering and the financing of terrorism). How much gray-listing affects a country's capital flows is of interest to policy makers, investors, and the Fund. This paper estimates the magnitude of the effect using an inferential machine learning technique. It finds that gray-listing results in a large and statistically significant reduction in capital inflows.

## **The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning**

The crisis is prompting a reconsideration of capital flows and the policies that affect them. A breakdown in the domestic stability of a large country can spill over into stress in other countries and even to the global system as a whole. The activities of global institutions and markets—some regulated and some not—can bear on the riskiness of flows. Thus, national policies affecting capital flows can transmit multilaterally. This transmission has not been fully appreciated by national policymakers. Further, they may not have incentives to take full account of the cross-border effects of their policies. Looking ahead, the upward trend in the volume of capital flows can be expected to continue, making it ever more important to address the associated cross-border risks. This paper aims to draw greater attention to the multilateral aspects of policies affecting capital flows. Previous work by the Fund has focused on the policies of recipient countries, mainly emerging market economies (EMEs), and addressed the circumstances in which capital flow management measures (CFMs) would be appropriate. This paper provides a complementary assessment of regulatory and supervisory policies of advanced economies, as well as large advanced economy monetary policy. Moreover, it addresses the multilateral transmission of CFMs.

## **The Multilateral Aspects of Policies Affecting Capital Flows**

We study whether capital flows affect the degree of credit crunch faced by a country's manufacturing firms during the 2007-09 crisis. Examining 3823 firms in 24 emerging countries, we find that the decline in stock prices was more severe for firms that are intrinsically more dependent on external finance for working capital. The volume of capital flows has no significant effect on the severity of the credit crunch. However, the composition of capital flows matters: pre-crisis exposure to non-FDI capital inflows worsens the credit crunch, while exposure to FDI alleviates the liquidity constraint. Similar results also hold surrounding the Lehman Brothers bankruptcy

## **The Composition Matters**

This volume contains country experiences explained by policy makers and studies by leading experts on causes and consequences of capital flows as well as policies to control these flows. It addresses portfolio flow issues central to open economies, especially emerging markets.

## **Taming Capital Flows**

This book provides a comprehensive investigation of the messy and crisis-ridden relationship between the operations of capitalist finance, global capital flows, and state power in emerging markets. The politics, drivers of emergence, and diversity of these myriad forms of state power are explored in light of the positionality of emerging markets within the network of space and power relations that characterises contemporary global finance. The book develops a multi-disciplinary perspective and combines insights from Marxist political economy, post-Keynesian economics, economic geography, and postcolonial and feminist International Political Economy. Alami comprehensively reviews the theories, histories, and geographies of

cross-border finance management, and develops a conceptual framework which allows unpacking the complex entanglement of constraint and opportunities, of growing integration and tight discipline, that cross-border finance represents for emerging markets. Extensive fieldwork research provides an in-depth comparative critical interrogation of the policies and regulations deployed in Brazil and South Africa. This volume will be especially useful to those researching and working in the areas of international political economy, contemporary geographies of money and finance, and critical development studies. It should also prove of interest to policy makers, practitioners, and activists concerned with the relation between finance and development in emerging markets and beyond.

## **Money Power and Financial Capital in Emerging Markets**

We document the behavior of macro and credit variables during episodes of capital inflows reversals in economies with different degrees of exchange rate flexibility. We find that exchange rate flexibility is associated with milder credit growth during the boom but, even though smaller than in more rigid regimes, it cannot shield the economy from a credit reversal. Furthermore, we observe what we dub as a recovery puzzle: credit growth in economies with more flexible exchange rate regimes remains tepid well after the capital flow reversal takes place. This results stress the complementarity of macro-prudential policies with the exchange rate regime. More flexible regimes could help smoothing the credit cycle through capital surcharges and dynamic provisioning that build buffers to counteract the credit recovery puzzle. In contrast, more rigid exchange rate regimes would benefit the most from measures to contain excessive credit growth during booms, such as reserve requirements, loan-to-income ratios, and debt-to-income and debt-service-to-income limits.

## **Exchange Rate Flexibility and Credit during Capital Inflow Reversals: Purgatory...not Paradise**

This note provides guidance to facilitate the staff's advice on macroprudential policy in Fund surveillance. It elaborates on the principles set out in the "Key Aspects of Macroprudential Policy," taking into account the work of international standard setters as well as the evolving country experience with macroprudential policy. The main note is accompanied by supplements offering Detailed Guidance on Instruments and Considerations for Low Income Countries

## **Staff Guidance Note on Macroprudential Policy**

Annotation Provides an analysis of the global monetary system and proposes a comprehensive yet evolutionary reform of the system aimed at creating better monetary cooperation for the twenty-first century.

## **Resetting the International Monetary (Non)System**

During the past three years the frontier markets of sub-Saharan Africa have received growing amounts of portfolio capital flows, with heightened interest from foreign investors. Compared with foreign direct investment, portfolio capital flows tend to be more volatile, and thus pose challenges for sub-Saharan African frontier markets. This study examines the evolution of capital flows since 2010 and discusses the policies these countries have designed to reduce risks from the inherent volatility of these flows.

## **Managing Volatile Capital Flows: Experiences and Lessons for Sub-Saharan African Frontier Markets**

Recent changes in technology, along with the opening up of many regions previously closed to investment, have led to explosive growth in the international movement of capital. Flows from foreign direct investment and debt and equity financing can bring countries substantial gains by augmenting local savings and by

improving technology and incentives. Investing companies acquire market access, lower cost inputs, and opportunities for profitable introductions of production methods in the countries where they invest. But, as was underscored recently by the economic and financial crises in several Asian countries, capital flows can also bring risks. Although there is no simple explanation of the currency crisis in Asia, it is clear that fixed exchange rates and chronic deficits increased the likelihood of a breakdown. Similarly, during the 1970s, the United States and other industrial countries loaned OPEC surpluses to borrowers in Latin America. But when the U.S. Federal Reserve raised interest rates to control soaring inflation, the result was a widespread debt moratorium in Latin America as many countries throughout the region struggled to pay the high interest on their foreign loans. *International Capital Flows* contains recent work by eminent scholars and practitioners on the experience of capital flows to Latin America, Asia, and eastern Europe. These papers discuss the role of banks, equity markets, and foreign direct investment in international capital flows, and the risks that investors and others face with these transactions. By focusing on capital flows' productivity and determinants, and the policy issues they raise, this collection is a valuable resource for economists, policymakers, and financial market participants.

## **International Capital Flows**

This book offers a timely restatement of the EU law on free movement of capital, focusing on the effect of EU law on international investment. Through analysis of the complex case law, it sets out the rights enjoyed by investors under EU law. It criticises the growth of protectionism within Europe, and sets out the legal limits on such policies.

## **The Free Movement of Capital and Foreign Direct Investment**

This paper presents a coordinated portfolio investment survey guide provided to assist national compilers in the conduct of the Coordinated Portfolio Investment Survey, conducted under the auspices of the IMF with reference to the year-end 1997. The guide covers a variety of conceptual issues that a country must address when conducting a survey. It also covers the practical issues associated with preparing for a national survey. These include setting a timetable, taking account of the legal and confidentiality issues raised, developing a mailing list, and maintaining quality control checks.

## **International Convergence of Capital Measurement and Capital Standards**

When are developing countries able to initiate periods of rapid growth and why have so few been able to sustain growth over decades? This book provides a novel conceptual framework built from a political economy of business-government relations and applies it to nine countries across Africa and Asia, drawing actionable policy recommendations.

## **Coordinated Portfolio investment Survey**

The paper's analysis underscores the importance of the ongoing Financial Stability Board-led process of identifying policy options, involving national authorities and the International Organization of Securities Commissions and other standard setters. In this context, the global nature of the investment fund business and fungibility of financial flows makes it vital to ensure consistency of global policy choices that can secure financial stability by precluding regulatory arbitrage.

## **Deals and Development**

This paper investigates why controls on capital inflows have a bad name, and evoke such visceral opposition, by tracing how capital controls have been used and perceived, since the late nineteenth century. While advanced countries often employed capital controls to tame speculative inflows during the last century, we

conjecture that several factors undermined their subsequent use as prudential tools. First, it appears that inflow controls became inextricably linked with outflow controls. The latter have typically been more pervasive, more stringent, and more linked to autocratic regimes, failed macroeconomic policies, and financial crisis—inflow controls are thus damned by this “guilt by association.” Second, capital account restrictions often tend to be associated with current account restrictions. As countries aspired to achieve greater trade integration, capital controls came to be viewed as incompatible with free trade. Third, as policy activism of the 1970s gave way to the free market ideology of the 1980s and 1990s, the use of capital controls, even on inflows and for prudential purposes, fell into disrepute.

## **Investment Funds and Financial Stability: Policy Considerations**

This paper investigates empirically the drivers of financial imbalances ahead of the global financial crisis. Three factors may have contributed to the build-up of financial imbalances: (i) rising global imbalances (capital flows), (ii) monetary policy that might have been too loose, (iii) inadequate supervision and regulation. Panel data regressions are performed for OECD countries from 1999 to 2007, so as to shed light on the relative importance of these factors, as well as the extent to which these factors might have interacted in fuelling the build-up. We find that the build-up of financial imbalances was driven by capital inflows and an associated compression of the spread between long and short rates. The effect of capital inflows on the build-up is amplified where the supervisory and regulatory environment was relatively weak. We find that, by contrast, differences in monetary policy cannot account for differences across countries in the build-up of financial imbalances ahead of the crisis.

## **What’s In a Name? That Which We Call Capital Controls**

Policymakers have relied on a wide range of policy tools to cope with capital flow shocks. And yet, the effects and interaction of these policies remain under debate, as does the motivation for using them. In this paper, quantile local projections are used to estimate the entire distribution of future policy responses to portfolio flow shocks for 20 emerging markets and understand the variety of policy choices across the sample. To assuage endogeneity concerns, estimates rely on the fact that global capital flows are exogenous from the viewpoint of any one of these countries. The paper finds that: (i) policy responses to capital flow shocks are heterogeneous across countries, fat-tailed—“extreme” responses tend to be more elastic than “typical” responses—and asymmetric—“extreme” responses tend to be more elastic with respect to outflows than to inflows; (ii) country characteristics are linked to policy choices—with cross-country differences in forex intervention relating to the size of balance sheet vulnerabilities and the depth of the forex market; (iii) the use of targeted macroprudential policy and capital flows management measures can help “free the hands” of monetary policy by allowing it to focus more squarely on domestic cyclical developments.

## **What Caused the Global Financial Crisis**

The Asian model of export-led growth served it well in the post-war period, but prolonged sluggish growth of the developed economies following the global financial crisis, together with growing inequality and rising environmental problems, point to the need for a new growth model. The purpose of this book is to describe the challenges facing Asian economies in the post-global financial crisis environment and to identify structural issues and policies that can help guide Asian policymakers to expand the growth potential of domestic and regional demand in coming years, and thereby create a basis for balanced, sustainable, and inclusive long-term growth. These issues and policies span a variety of dimensions, including macroeconomic policy (monetary, fiscal, and foreign currency management), real sector issues (trade and industrial structure), infrastructure development, labor market and social policy, financial sector reform and regulation, and regional cooperation and architecture. Key recommendations to achieve these goals include measures to: deepen social protection to support social resilience; increase infrastructure investment to create a “seamless Asia”; enhance productivity in the services sector; establish a region-wide free trade agreement to encourage intraregional trade in goods and services and investment through economies of scale and

dynamic efficiency of a larger market; promote a shift to a low-carbon society and support green growth; and deepen and integrate financial markets to facilitate the recycling of Asia's high savings for investment within the region.

## **One Shock, Many Policy Responses**

This book analyzes the dangers of financial nationalism in an interconnected global financial system, and discusses how international law might address them.

## **Rebalancing for Sustainable Growth**

*Analyzing Banking Risk: A Framework for Assessing Corporate Governance and Risk Management* provides a comprehensive overview of topics focusing on assessment, analysis, and management of financial risks in banking. The publication emphasizes risk management principles and stresses that key players in the corporate governance process are accountable for managing the different dimensions of financial and other risks. This fourth edition remains faithful to the objectives of the original publication. It covers new business aspects affecting banking risks, such as mobile banking and regulatory changes over the past decade—specifically those related to Basel III capital adequacy concepts—as well as new operational risk management topics such as cybercrime, money laundering, and outsourcing. This publication will be of interest to a wide body of users of bank financial data. The target audience includes the persons responsible for the analysis of banks and for the senior management or organizations directing their efforts. Because the publication provides an overview of the spectrum of corporate governance and risk management, it is not aimed at technical specialists of any particular risk management area. \*\*\* Hennie van Greuning was formerly a Senior Adviser in the World Bank's Treasury Unit and previously worked as a sector manager for financial sector operations in the World Bank. He has been a partner in a major international accounting firm and a controller and head of bank supervision in a central bank. Since retiring from the World Bank, he has chaired audit, ethics, and risk committees in various banks and has been a member of operational risk and asset-liability management committees. Sonja Brajovic Bratanovic was a Lead Financial Sector Specialist at the World Bank, after a career as a senior official in a central bank. With extensive experience in banking sector reforms and financial risk analysis, she led World Bank programs for financial sector reforms, as well as development projects. Since her retirement, she has continued as a senior consultant for World Bank development projects in the financial sector, as well as an advisor for other development institutions.

## **The Logic of Financial Nationalism**

This book analyzes the process of international financial integration and the structural forces driving private capital to developing countries. Against this background, it details the potential benefits of integration and the implications of fast-moving global capital flows for emerging economies. Examining the experience of countries that have attracted substantial private capital flows, the book provides invaluable guidance as to what works and what doesn't during the transition to financial integration. It will be of compelling interest to policymakers and also to international investors and bankers, financial analysts, and researchers.

## **Analyzing Banking Risk (Fourth Edition)**

The 2008 global financial crisis took the world by surprise, not least because politicians, businessmen and economists believed that they had learned crucial lessons from the Great Depression of the 1930s. As a direct result of deregulated financial markets, financial crises occurred in both developed and developing economies. However, this volume argues that in the most recent crisis developing countries suffered less, and that financial policy and regulation played a crucial part in this. The contributors to this volume explore the alternative development paradigm that has been gaining credence since the Asian crisis, known as new developmentalism. New developmentalism is embodied in the following principles: exchange rate responsibility or growth with domestic savings, fiscal responsibility, and the assignment of a strategic role for



the state. New developmentalism is a set of values, ideas, institutions and economic policies through which, in the early 21st century, developing countries have sought to catch up with developed countries. This book examines the global financial crisis, the financial regulatory problem, with particular emphasis on Brazil, and the alternative policies that derive from new developmentalism. This volume will be of interest to scholars and policymakers working in the areas of globalization, financial regulation and development studies.

## **The Political Economy of Capital Controls**

The Global Informal Workforce is a fresh look at the informal economy around the world and its impact on the macroeconomy. The book covers interactions between the informal economy, labor and product markets, gender equality, fiscal institutions and outcomes, social protection, and financial inclusion. Informality is a widespread and persistent phenomenon that affects how fast economies can grow, develop, and provide decent economic opportunities for their populations. The COVID-19 pandemic has helped to uncover the vulnerabilities of the informal workforce.

## **Private Capital Flows to Developing Countries**

This paper examines whether—and how—emerging market economies (EMEs) respond to capital flows to mitigate their untoward consequences. Based on a sample of about 50 EMEs over 2005Q1–2013Q4, we find that EME policy makers respond proactively to capital inflows by using a combination of policy tools: central banks raise the policy interest rate to address economic overheating concerns; intervene in the foreign exchange market to resist currency appreciation pressures; tighten macroprudential measures to dampen credit growth; and deploy capital inflow controls in the face of competitiveness and financial-stability concerns. Contrary to conventional policy advice to EMEs, we find no evidence of counter-cyclical fiscal policy in the face of capital inflows. Overall, policies are more likely to respond, and used in combination, during inflow surges than in more normal times.

## **Financial Stability and Growth**

We present evidence of a risk-taking channel of monetary policy for the U.S. banking system. We use confidential data on the internal ratings of U.S. banks on loans to businesses over the period 1997 to 2011 from the Federal Reserve's survey of terms of business lending. We find that ex-ante risk taking by banks (as measured by the risk rating of the bank's loan portfolio) is negatively associated with increases in short-term policy interest rates. This relationship is less pronounced for banks with relatively low capital or during periods when banks' capital erodes, such as episodes of financial and economic distress. These results contribute to the ongoing debate on the role of monetary policy in financial stability and suggest that monetary policy has a bearing on the riskiness of banks and financial stability more generally.

## **The Global Informal Workforce**

Over the past two decades, many low- and lower-middle income countries (LLMICs) have improved control over fiscal policy, liberalized and deepened financial markets, and stabilized inflation at moderate levels. Monetary policy frameworks that have helped achieve these ends are being challenged by continued financial development and increased exposure to global capital markets. Many policymakers aspire to move beyond the basics of stability to implement monetary policy frameworks that better anchor inflation and promote macroeconomic stability and growth. Many of these LLMICs are thus considering and implementing improvements to their monetary policy frameworks. The recent successes of some LLMICs and the experiences of emerging and advanced economies, both early in their policy modernization process and following the global financial crisis, are valuable in identifying desirable features of such frameworks. This paper draws on those lessons to provide guidance on key elements of effective monetary policy frameworks for LLMICs.

## Managing the Tide

In this collaboration between the Brookings Institution and the Asian Development Bank Institute, eminent international economists examine the increased influence of Asian nations in the governance of global economic affairs, from the changing role of the G-20 to the reform of multilateral organizations such as the International Monetary Fund. Established in the aftermath of the Asian financial crisis at the ministerial level, the G-20 has served as a high-level platform for discussing economic analyses and policy responses since 1999. During the current global financial crisis, however, the G-20's role moved toward that of a global crisis management committee at the leadership level. The challenge now for the G-20 is to succeed in fostering ongoing and increasing cooperation among its members while being supportive of, rather than trying to replace, more universal institutions. After analyzing the dynamics of growth in Asia comparatively and historically, the volume appraises the scope for policy coordination among key economies. The contributors analyze financial stability in emerging Asia and then assess the implications of Asia's increasing role within the newly emerging system of global economic governance, focusing especially on reform of the international monetary structure. Contributors: Dony Alex (ICRIER, New Delhi), Kemal Dervis, (Brookings), Hasan Ersel (Sabanci University), Karim Foda (Brookings), Yiping Huang (Peking University), Masahiro Kawai (ADB), Rajiv Kumar (FICCI, New Delhi), Domenico Lombardi (Oxford University and Brookings), José Antonio Ocampo (Columbia University), Jim O'Neill (Goldman Sachs)

## Bank Leverage and Monetary Policy's Risk-Taking Channel

Evolving Monetary Policy Frameworks in Low-Income and Other Developing Countries

[study guide answers world history ancient civilizations](#)

[time zone word problems with answers](#)

[nitrous and the mexican pipe](#)

[principles of digital communication by js katre online](#)

[introduction to industrial systems engineering turner](#)

[answer to vistas supersite](#)

[honda accord 1997 service manuals file](#)

[i apakah iman itu](#)

[human resource management 12th edition ivancevich](#)

[the treatment of horses by acupuncture](#)