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GLOBAL CAPITAL FLOWS AND FINANCIAL DISTURBANCES IN DEVELOPING AND EMERGING MARKETS*

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In this paper we analyze the relationship between the free movement of global capital and financial disturbances in developing and emerging markets and recommend strategies aiming at preventing financial crises in the short and the long run. In the short run it is of utmost importance that economic authorities in developing and emerging markets constrain indebtedness and design a correlated capital structure of domestic market participants. In the long run, the superior strategy is to build a strong industrial sector which generates economies of scale, innovations and synergies with other sectors. Control of capital flows could prove as a useful strategy in constraining indebtedness and designing a desirable capital structure of local economic actors.

Key words: financial imbalances, financial instability, current account, capital controls
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1. INTRODUCTION

One of the most prominent characteristics of the modern global economy in last three decades is its financial instability. Global imbalances are its permanent feature not only in the developed countries

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but also in developing and emerging markets. Let us mention, for example, the Great Debt Crisis of 1982, the Tequila Crisis in Mexico in 1994, the Great Asian Crisis in 1997, the Russian Crisis in 1998, the Brazilian Crisis in 1999, the Ecuadorian Crisis in 1999, the Turkish Crisis in 2000, the Argentinean Crisis in 2001–2002, the Uruguayan Crisis in 2002 and the East European Crisis in 2009. At the moment, the world economy is facing the Global Financial Crisis that has dealt a very serious blow to the world financial markets and consequently to world trade, economic growth, production and employment.

According to the conventional wisdom, i.e. mainstream economics, developing and emerging markets are facing financial difficulties because they do not consistently implement macroeconomic policies aimed at financial stability. What is needed is financial and trade deregulation and liberalization, privatization, price stability, balanced state budgets, low public debt and a balanced or positive current account. Since the fault is their own, conventional wisdom holds that the onus of adjustments to financial imbalances should be solely on developing and emerging markets. However, our experience shows that macroeconomic instability generated in developing and emerging markets has not been the product of inconsistent implementation of conventionally prescribed recipes, but the consequence of dynamic capital inflows caused by the liquidity expansion in developed countries. Namely, during the liquidity expansion driven by over-optimistic financial markets in developed countries, investors, in search for extra-profits, massively redirect capital flows towards shallow developing and emerging markets causing unsustainable expansion of the non-tradable sector, a spike in unit labor costs and inflation in local economies. The end results are usually speculative bubbles in local financial and real estate markets and an appreciated real foreign exchange rate. Thus accumulated over-indebtedness and loss of the competitive position in world markets, in time, lead to unsustainable current account deficits, the bursting of the speculative bubble and a full-blown financial crisis.

Naturally, the question arises how to prevent adverse effects of exogenously generated financial shocks in developing and emerging markets. In order to find answers to this question we rely on Keynes theory of speculative financial markets and Minsky's theory of inherent instability of modern capitalistic economies. We conclude that in the short run the main task of local economic authorities should be constraining indebtedness and the undesirable capital structure of domestic market participants and in the long run the building of a strong industrial sector which generates economies of scale, innovations and synergies with other sectors. The control of capital flows could prove as a useful strategy in the facilitating process of constraining indebtedness and designing desirable capital structure of domestic economic actors.

2. KEYNES, MINSKY AND BOOM-BUST EPISODES

In order to move in the right direction, the mainstream economic paradigm (The Efficient Markets Hypothesis[1]) has to be rejected and replaced by theoretical approaches more focused on relevance than form and elegance. This study embraces the theoretical approaches of John Maynard Keynes (1936, 1937) and Hyman Minsky (1975, 1986), one of the most prominent followers of Keynes, that are, in our opinion, a better guide to analyzing reality and therefore, should be developed further since policy measures are grounded in theories accepted as valid.[2]

As reality showed, we live in a world of complex financial ties, which continually strive to instability. Self-regulated markets are not an optimal tool for rational and productive allocation of scant resources and in the event of instability, mechanisms that will restore equilibrium, at least in the long run, will not be automatically activated (Radonjić and Zec 2010). Mainstream recommendations of zealous conducted market-led policies as a universal prescription for macroeconomic stability and an essential tool in amortization of exogenous shocks has been proven wrong. Foreign capital does not respond to properly implemented macroeconomic market oriented policies, i.e. improved economic conditions do not precede investment inflows as we are taught to think.[3] In truth, a better approximation of reality

1 For more details see Fama (1965, 1970) and Malkiel (2003).

2 "But apart from this contemporary mood, the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas" (Keynes 1936, 404).

3 Pettis (2001) holds that although appealing, real world experiences do not support the view that investment flows towards developing countries and emerging markets follow successfully implemented market reforms. There are numerous examples of experimenting with desired economic reforms in Latin American countries, which were not followed by capital inflows. One would expect that capital inflows into developing countries and emerging markets are more random than actual experience

is offered by a liquidity model, which emphasizes the source and not the destination. Namely, as real world experience suggests, Minskyan liquidity expansion in rich countries launched massive capital movements to developing and emerging markets. Therefore, movements of capital to developing countries and emerging markets are exogenous, i.e. developing countries and emerging markets actions do not influence movements of international capital, which are the result of liquidity changes in the developed world (Pettis 2001).

What we have actually learned from the late global credit crunch once again is that, contrary to the conventional wisdom, free decentralized markets, if let alone, inherently, i.e. endogenously generate instability. According to Keynes' (1936, 1937) theory of speculative financial markets and Minsky's (1975, 1986) Financial Instability Hypothesis, boom-bust episodes are a natural product of unregulated free markets. The future is uncertain, money is not neutral and the financial sector does not dance in the rhythm played by the real sector. On the contrary, the financial sector, in contrast to textbook theories, lives its own life thus bringing considerable instability into the system. Disappointed expectations overloaded by debt lead in no time to panic and the Fisher–Minsky debt-deflation episode (Fisher 1933; Minsky 1981) unless timely and coordinated Big Government and Big Bank interventions take place (Minsky 1982).

The Keynes–Minsky theory of speculative financial markets and financial instability, although primarily devised to study economic behavior of a closed advanced capitalistic economy, is, through several amendments, also applicable to the case of open developing countries and emerging markets, in which periods of financial robustness and optimism lead to fragile finance and instability (Pettis 2001; Arestis and Glickman 2002; Kregel 1998). Furthermore, as Keynes and Minsky would have predicted, austerity measures imposed by the International Monetary Fund (IMF) in the aftermath of the crisis, resulted in a further deterioration of macroeconomic stability with long-lasting negative effects on host economies.[4] On the contrary, amid the global credit crunch, in the case of the

shows, i.e. highly correlated with the timing of implementation of economic reforms. But in practice, what can actually be seen is that the timing of capital inflows towards developing countries and emerging markets is virtually identical, although there is no reason to assume that different countries around the world simultaneously undergo preferable mainstream political and economic changes.

4 As was the case, for example, during the Mexican (1994), East Asian (1997), Brazilian (1999) and peripheral Europe (2009) financial crisis.

late East European financial crisis (2009) it seems that governments of developed nations and international financial institutions learned the lesson or were simply too frightened for their own well-being and massively intervened in order to avoid potentially devastating consequences of debt-deflation. Thus, despite being more financially vulnerable in the pre-crisis period, Eastern European economies exhibited a milder crisis comparing to the other developing countries and emerging markets (Mexico, East Asia, Brazil) that experienced the capital inflows sudden stop crises in the past. So far, the global-debt deflation episode has been prevented. However, as history teaches us, bailing-out of economic actors on the verge of bankruptcy results in the socialization of costs and thus to moral hazard and a further deepening of financial fragility due to validating risky financial practices. Therefore, unless followed by major regulatory changes, interventionist policies bring forth only the deepening of financial fragility implying that in the future, crises will be more frequent and more severe. Ordinary people will suffer the most. The question, then, arises: what should we do about it?

3. ADJUSTMENT MECHANISMS TO GLOBAL FINANCIAL IMBALANCES

The first thing to do is to find causes of the global financial imbalances. Davidson (1999, 2009) reminds us that theoretical implications of Keynes' General Theory of Employment, Interest and Money (1936) are applicable to international context as well. Keynes argued that in a situation when governments are not willing to increase domestic employment and income through expansive fiscal spending in fear of inflation the only alternatives left are to decrease interest rate or to engage in an aggressive export-led strategy relying on reducing local nominal wages and/or devaluating domestic currency.

However, in the *laissez faire* context, the independent governing of interest rate policy in not achievable since a decrease in local interest rates will result in capital outflow towards countries with higher interest rates leading towards equalization of interest rates at the global level whereby the highest interest rate country calls the tune: "Indeed, the transformation of society, which I preferably envisage, may require a reduction in the rate of interest towards vanishing point within the next thirty years. But under a system by which the rate of interest finds a uniform level, after allowing for risk and the like, throughout the world under the operation of normal financial forces, this is most unlikely to occur" (Keynes 1933). On the other hand, an export-led strategy grounded on achievement of cost advantage over competing countries is a double-edged sword. Reduction in local nominal wages will tend to decrease living standards of local inhabitants since, although there might be some increase in employment due to an improved trade balance, on average, workers real wages will be lower due to worsening terms of trade: "If we are dealing with an unclosed system, and the reduction of money-wages is a reduction relatively to money-wages abroad when both are reduced to a common unit, it is evident that the change will be favourable to investment, since it will tend to increase the balance of trade. ...In the case of an unclosed system, a reduction of money-wages, though it increases the favourable balance of trade, is likely to worsen the terms of trade. Thus there will be a reduction in real incomes, except in the case of the newly employed, which may tend to increase the propensity to consume" (Keynes 1936, 291, 292). Meanwhile, as Davidson (1999) notices, strong trade unions make this strategy hard to implement. So, the only option left is to devalue the domestic currency making imports more expensive in local currency terms and exports cheaper in foreign currency terms. But, in this way, the more competitive country exports stagnation and unemployment to its trading partners, since now, their exports fall and domestic import-competing producers lose part of the domestic market to the benefit of exporters. Someone's external surplus is someone else's external deficit and the sustainability of external deficits limits external surpluses of exporting countries.[5]

During the Breton Woods era of tamed private capital flows, the sustainability of deficits was determined by the amount of international reserves. An unfavourable trade balance leads to spending international reserves up to the level of sustainability of the foreign exchange rate. If a country prefers to sustain the exchange rate, it is then forced to implement austerity measures aiming at reducing demand and employment in order to constrain imports and income or a contractive policy will be imposed by the IMF in the case of granting of a condi-

5 In his speech to the 18th Congress of Communist Party of China at the beginning of November, 2012, Chinese President Hu Jintao said that China had to find a new model of economic growth since the current model based on exports and investments was not sustainable due to domestic upward wage pressures and the global crisis that eroded Chinese export markets. He proposed further expanding of private sector, boosting domestic demand and consumption, increase in efficiency, investments and domestic market (Reuters 08.11.2012).

tional-support loan. Furthermore, in the case of severe and persistent imbalances, a deficit country may devalue the exchange rate (Kregel 2008). Therefore, the onus of adjustment is on the deficit country. In this kind of arrangement, surplus countries are not obliged to increase the demand for goods, services and assets of a deficit country, i.e. they are allowed to hoard international liquid assets.[6] Still, surplus countries are not entirely protected since deflationary pressures that produce deficit countries during the process of adjustment spread to surplus countries through a contraction in export demand thus creating a stagnating global economic environment.

In time, along with the oil shocks during the 1970s and the parallel flourishing of the Eurodollar market mainly used to recycle petrodollars, private capital flows emerged again. Financing external deficits by private capital opened the possibility of avoiding the IMF imposed adjustment of domestic absorption and the foreign exchange rate. In this way, the IMF lost control over the management of imbalances since not only had private capital enabled the financing of large and persistent external deficits but also, paradoxically, the appreciation of the nominal and real exchange rate of the deficit country. As Kregel (2008) further argues, this does not mean that there are no limits to accumulation of deficits anymore but only that there are no official institutional or economic limits imposed on individual country left and the lack of these limits reflects more globally integrated markets. In this new situation, an external deficit is sustainable only provided the interest rate is lower that the rate of increase in new debt, what is the definition of a Ponzi scheme of paying out interest rate obligations from the new deposits. However, no Ponzi scheme ever succeeded since with the increase in the stock of net debt lender's risk increases and thus also the interest rate. The scheme collapses through financial breakdown and capital reversals, i.e. nowadays the adjustment of external imbalances operates through a financial crises (Kregel 2008). So, the question is what, in such a constructed global economic system, a developing economy or emerging market can do in order to prevent or mitigate the crises.

6 For more details on Keynes' proposition of the International Currency Union, international institution that would have imposed negotiated symmetric adjustment mechanism see Davidson (1999, 2009) and Crotty (1983).

4. PREVENTING FINANCIAL DISTURBANCES IN DEVELOPING AND EMERGING MARKETS

In the first place, sustainable economic growth is no doubt the most efficient way to offset future external shocks in the long run. In the world payment system as it is now, the economic growth of developing economies and emerging markets is sustainable if it is based on expansion of exports, income, employment and, at the same time, steady and decreasing external debt and, on average, a continuous generation of trade and current account surpluses, i.e. domestic savings. In that sense, Keynes doubts that the classical model of comparative advantages might lead the process of building of a favourable domestic productive base: "But I am not persuaded that the economic advantages of the international division of labor today are at all comparable with what they were. I must not be understood to carry my argument beyond a certain point. A considerable degree of international specialization is necessary in a rational world in all cases where it is dictated by wide differences of climate, natural resources, native aptitudes, level of culture and density of population. But over an increasingly wide range of industrial products, and perhaps of agricultural products also, I have become doubtful whether the economic loss of national self-sufficiency is great enough to outweigh the other advantages of gradually bringing the product and the consumer within the ambit of the same national, economic, and financial organization. Experience accumulates to prove that most modem processes of mass production can be performed in most countries and climates with almost equal efficiency" (Keynes 1933). Akin to Keynes, in his insightful book, Reinert (2006) recommends to developing countries and emerging markets a rejection of the classical model of comparative advantages proclaiming specialization in the production of products in which they are relatively less cost-inefficient and to specialize in industries producing goods with a high-added value, characterized with the economies of scale, technological innovations and synergies (tradable goods). The economies of scale emerge in industries with high fixed costs where entrance barriers are high. On the other hand, specialization in the production of goods which are subject to the law of diminishing returns lead to poverty and perpetual debt slavery (agriculture, mining, fishing, etc.). Industries subject to dynamic technological innovations generate the economies of scale and thus the accumulation of new knowledge, higher income and employment. Synergies refer to the spilling-over of the positive effects of the economies of scale, technological innovation and the accumulation of new knowledge to the community at large thereby stimulating employment, income and technological progress in complementing and competing industries as well as in other economic sectors. Not less important, the state trade and industrial policy oriented towards dynamic development of high-added value and technologically demanding industrial sector must be supported with appropriate fiscal and monetary policy, development of infrastructure, education and science, rule of law and law enforcement, etc.

The current drop in developing and emerging markets proves this point. In the last fifteen years it was almost a common prediction that emerging markets such as Brazil, Turkey, Russia, Indonesia, South Africa, China and India were the world's engine of growth in the future. However, reality proved them wrong. At the moment, emerging markets are in big trouble – economic growth is down and is far below the predicted one. Expectedly, foreign investors asked for an umbrella the minute it began to rain. They have massively pulled their money out in search for a safe harbor, probably the United States, since they expected the Fed would increase interest rates in September of this year. Consequently, local currencies considerably weakened opening the space for yet another debt crisis. The main culprits, once again. are omnipresent corruption and weak governments prone to bribery (Emmott 2015). However, as we see it, omnipresent corruption and weak governments are a consequence, and not the cause of the current emerging markets' difficulties. The real culprit is the lack of a coherent model of economic growth. Now falling emerging markets mostly relied on cheap foreign capital which fueled domestic demand and in search for rich-quick schemes predominantly ended up in unproductive non-tradable sectors and low-productivity activities. What has been missing was industrialization, i.e. specialization in high-productivity activities as has been done in Taiwan and South Korea, former emerging markets and today successful advanced economies. Successful East Asian economies opted for rapid industrialization, i.e. specialization in high-productivity and technologically dynamic activities, which, in the next step, led to steady progress in education and political reforms thereby closing the gap with the advanced economies only in the long run. In contrast to those successful stories, as Dani Rodrik (2015) rightly argues "... most of today's emerging markets are deindustrializing prematurely. Services are not tradable to the same extent as manufactured goods, and for the most part do not exhibit the same technological dynamism. As a result, services have proved to be a poor substitute to export-oriented industrialization so far." Therefore, developing economies and emerging markets should not involve themselves in seducing growth race based on deindustrialization and dynamic, but unstable, capital inflows simultaneously forgetting to built and nourish growth fundamentals: “Countries that rely on steady, economy-wide accumulation on skills and improved governance may not grow as fast, but they may be more stable, less prone to crises, and more likely to converge with advanced countries eventually” (Rodrik 2015).

Needless to say, economic robustness, industrial specialization and productivity, improved education and governance are certainly important factors in determining the future long-term development path of the economy. However, there is one more factor which is often neglected: the debt structure. Namely, the recent financial crises in developing countries and emerging markets erupted not because of weak macroeconomic fundamentals or political uncertainty but due to persistent and severe external deficits, i.e. excessive indebtedness and the unfavourable structure of the debt (Pettis 2003). Excessive indebtedness and unstable and an unfavourable debt structure have the potential to undermine economic fundamentals in the event of a negative shock such as local currency depreciation or increase in real interest rates. It is precisely here that, in Minsky’s opinion, lies a key difference between Keynes’ and neoclassical economic theory: “In The General Theory the speculative nature of asset holding and financing choices dominates production-function characteristics in determining investment output. A fundamental theme of The General Theory is that the asset-valuation process is a proximate determinant of investment; Keynes argues that assets, in addition to having characteristics of annuities, may also provide protection by being salable in the event that an uninsurable unfavorable contingency occurs. This marks a fundamental shift of perspective and apparatus from those of the neoclassical view of investment” (Minsky 1975, 9). In other words, robust economic fundamentals and credible macroeconomic policy are an efficient mean to improve the economy’s income side of the balance sheet in the long run. On the other hand, if the country faces a risk of bankruptcy in the short run, long run considerations are of secondary importance.[7] When the crisis hit, what is important is to stay afloat in the near

7 Similarly, the IMF austerity measures imposed in the midst of the crisis aiming at restoring foreign investors confidence have the opposite effect than desired since policies constructed for improving the income side of the economy's balance sheet in the long run at the same time have strong, far-reaching, negative effects on the liability side in the short run, which, in return, reinforce further deterioration of the income side of the economy's balance sheet in the short run as well (Pettis 2003).

future. If investors fear default, falling asset prices lead to a fall in investments and increase in interest rates and credit spreads which, in the case of the wrong capital structure, end in the collapse of investment and economic activity. As Pettis argues: "In the end, an optimal capital structure is not enough to ensure that an economically backward country will develop rapidly. The wrong capital structure, however will guarantee that, no matter what policy mix, its economy will break before it can achieve its goals"[8] (Pettis 2001, 199). A wrong capital structure amplifies the intensity of external shock so that debt obligations balloon in the short run, whereas, in parallel, due to dramatic increase in uncertainty (capital escape *en masse*), revenues of business units are in free fall.

Therefore, it is of crucial importance to control the liability side of the economy's balance sheet, i.e. to constrain an increase in external debt in the first place and in the second to minimize the share of short-term debt (maturity mismatch) or floating-rate debt and debt denominated in hard currency (currency mismatch) in the total debt as much as possible. If local private business and government debt is short-term debt denominated in foreign or local currency, local currency depreciation and increase in interest rates will sharply increase the burden of debt in the short run and local business units will, in an attempt to meet their debt obligations, push strongly to exchange their revenues and proceeds from selling assets for foreign currency thereby causing a further decrease in asset prices and the value of local currency (the Fisher–Minsky debt-deflation scenario). This situation leads indebted units into bankruptcy in the short run. On the other hand, in the event of a correlated capital structure, i.e. medium and long-term debt denominated in local currency (elimination of maturity and currency mismatch), sharp depreciation of foreign exchange rate and ensuing inflation works to the benefit of the indebted unit, since inflation simultaneously erodes the burden of debt and nominally, in local currency terms, increases revenues of non-tradable and tradable sectors. Not less important, a weaker domestic currency increases competitiveness of the tradable sector potentially leading to the increase in the market share of the domestic economy in international markets. Also, a sharp rise in interest rates will not increase the debt burden since interest rates in long-term

8 As Keynes put it, the long run "...is a misleading guide to current affairs. In the long run we are all dead. Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is past the ocean is flat again" (Keynes 1923, 65).

contracts are locked in for several years (Pettis 2003). Of course, there is no universal recommendation for the level of sustainable country indebtedness. It depends on the earning power of the economy, which is determined by its economic diversity (economies of scale, technological innovations, synergies) and the sensitivity of the economy to global business cycles. More productive, efficient industrialized economies with developed division of labor have greater potential of leverage than less diversified economies specialized in low-added value products sensitive to changes in the global business climate.[9]

Consistently, one of the options for minimizing negative impacts of external shocks can be a return to the capital controls. Keynes himself emphasized potential adverse affects of free mobility of capital across the nations: "Advisable domestic policies might often be easier to compass, if the phenomenon known as 'the flight of capital' could be ruled out. ...Thus for a complexity of reasons, which I cannot elaborate in this place, economic internationalism embracing the free movement of capital and of loanable funds as well as of traded goods may condemn my own country for a generation to come to a much lower degree of material prosperity than could be attained under a different system" (Keynes 1933). Capital controls put in place during the 1960s successfully prevented massive inflows or outflows of short-term foreign currency investments. They might prove to be an efficient policy option in fighting liquidity mismatch – financing of local assets by hot money.[10 11] Also, capital controls are capable of preventing financial contagion which are the consequence of the mechanical implementing trading strategies of buying in rising and selling in declining markets.[12]

Measures of capital controls include reserve requirements on banks' liabilities, the Tobin tax, such as taxes on short-term foreign exchange operations that were recently implemented by Brazil and Taiwan, and the outright prohibition or

9 The country is excessively indebted when its debt trades at high credit spread, which hampers new investments and the potential for rising new debt (Pettis 2003).

10 Hot money flows across national boundaries in search for speculative gains, precautionary purposes, shield from tax collectors and laundering illegal earnings (Davidson 1999).

11 For example, post crisis economic growth in Argentina (2001) was double that recorded in Mexico (1994) and Brazil (1999). Cruz and Walters (2010) argue that capital controls that, in contrast to Mexico and Brazil, Argentina imposed, significantly contributed to this success.

12 Margin buying, portfolio insurance, derivative contracts (Pettis 2003).

limitation of the capital flows.[13] Recently, even the IMF, known as a fierce enemy of the capital controls in the past, recognized that developing countries and emerging markets have to stand ready and use all available tools and even keep an open mind concerning the capital controls in order to stem unproductive and disruptive capital inflows, which exacerbate the boom and bust cycles (Belka 2011). Kalantzis (2004) finds that the productivity gains stemming from the capital inflows are the most important predictor of a future balance of payment crisis in an economy suffering from a surge in capital inflows. This implies that policy makers should assess with scrutiny the productivity gains from any investments, especially in the non-tradable sectors, and approve or support the foreign financed investment only if the productivity gain is large enough.

5. CONCLUSION

Behind the economic policy implemented stands economic theory accepted as valid in political circles. Ideas empowered as dominant in some society are the result of struggle between different political interests and one of the main instruments in the political struggle are economic ideas. That is why economic policy must rely on real-world experiences and not timeless economic models based on unrealistic assumptions. As we see it, global imbalances and the resulting financial disturbances in developing countries and emerging markets are not the consequence of an inconsistent implementation of universal macroeconomic recipes aimed at achieving macroeconomic stability prescribed by the mainstream economists. Financial disturbances in developing countries and emerging markets are the consequence of exogenous shock, i.e. liquidity expansion in developed countries. Therefore, in order to defend macroeconomic stability, economic authorities of developing and emerging markets should try to build mechanisms and policy solutions aiming at constraining accumulation of over-indebtedness and designing a correlated capital structure of local economic actors as well as a competitive industrial sector which generates economies of scale, technological innovations and synergies. Capital controls, measure at odds with the mainstream *laissez faire* economics, might be an efficient tool in constraining debt accumulation.

13 For the opposite opinion on potential effectiveness of Tobin tax see Davidson (1999).

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Rezime:
GLOBALNI TOKOVI KAPITALA I FINANSIJSKI POREMEĆAJI U ZEMLJAMA U RAZVOJU I NA BRZORASTUĆIM TRŽIŠTIMA

U ovom radu se proučava povezanost između slobodnog kretanja globalnog kapitala i finansijskih poremećaja u zemljama u razvoju i brzorastućim tržištima i preporučuju se strategije koje imaju za cilj prevenciju finansijskih kriza u kratkom i dugom roku. U kratkom roku, primarni cilj lokalnih ekonomskih vlasti bi trebalo da bude ograničavanje zaduženosti i dizajniranje korelisane kapitalne strukture lokalnih ekonomskih jedinica. U dugom roku, superiorna strategija je izgradnja snažnog industrijskog sektora koji generiše ekonomiju obima, inovacije i sinergije sa drugim sektorima. Kontrola međunarodnog kretanja kapitala mogla bi da bude korisna strategija u ispunjavanju zadatka ograničavanja zaduženosti i dizajniranja poželjne kapitalne strukture lokalnih tržišnih učesnika.

Ključne reči: finansijske neravnoteže, finansijska nestabilnost, tekući račun, kontrola međunarodnog kretanja kapital

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