



Guest Lecturer Assoc Prof Ilan Noy

Capital Controls: Should they be part of the NZ toolkit?

Abstract

Capital flows have been increasing dramatically in the past two decades, while their economic consequences have been heavily examined. Somewhat surprisingly, there is very little evidence that capital flows are beneficial in general. More specifically, most economists believe (based on fairly limited evidence) that long-term capital is better than short-term, and that portfolio/equity is better than debt. There are two big problems we associate with capital flows: they lead to an appreciation of the currency (Dutch Disease) and they can easily reverse (the Sudden Stop syndrome). In an attempt to manage capital flows, controls on capital inflows have been experiencing a period akin to a renaissance since the beginning of the global financial crisis in 2008. This renaissance has manifested itself both in empirical and theoretical research on the issue, and most importantly in the decision by many countries to impose controls; Thailand, Korea, Peru, Indonesia, and Brazil are some of the prominent examples. We first ask whether capital controls are effective. And if they are, what are their effects?

Bio:

Ilan Noy is an Associate Professor in the School of Economics and Finance, Victoria Business School in Wellington, New Zealand. Prof. Noy's research focuses on the reasons for financial crises and their impacts, on capital flows and capital controls, and the economics of natural disasters. He has also consulted for the Central Bank of Chile, Japan International Cooperation Agency (JICA), Japan's Research Institute for Economics, Trade and Industry (RIETI), Inter-American Development Bank, Association for South-East Asian Nations (ASEAN), and the Copenhagen Consensus Project. His research is available for download at:

<https://sites.google.com/site/noveconomics/>

Where: Level 5, The Treasury, 1 The Terrace

When: 1:30 pm - 3:00 pm day Tues 24 July 2012

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