Rethinking Capital Controls and Capital Flows

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How do policies affect:

- Probability of a crisis
- Potential for a boom
- Shift in mean growth

[Diagram showing the impact of policies on quarterly GDP growth rates]
Policies, Probabilities, and Mean Growth

**Two Methods:**
- **RTW**: update, policy extension
- **GDP-at-risk**: quantile regression

**Two Policy types:**
- **External**: Capital, FX
- **Domestic**: Financial, Labor, Competition

Quarterly GDP growth rates
RTW: Update and Policy Extension
GDP-at-risk: probabilities and mean

Change in mean

K open (noFE)  ALMP  Equity mkt devel  FX reserves  Macro pru

Change in probability

K open (FE)  floatingXR
OECD Code of Liberalization of Capital Movements

• History and coverage
  – Since 1961
  – Open to non-OECD adherents since 2012
  – Agreement review, encouraged by G20

• North Star
  – Adhere with reservations
  – Derogations for economic circumstances
  – Transparency of peer review
  – “Collision avoidance”