

# DISCUSSION OF C. & V. REINHART ON "TOOLS FOR CONTROLLING CAPITAL.."

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OVERVIEW: ■ LOTS OF WAYS TO STOP  
APPRECIATION, NONE FOR DEPRECIATION.  
■ USED ON LARGE SCALE BY SUCCESSFUL  
EMERGING MARKET COUNTRIES

PAPER IS A GREAT TEASE

TELLS US THAT [EVIDENCE IMPRESSIVE]

NOT WHY

NOR WHETHER SHOULD

BUT HINTS THAT SO MANY DOING  
SO MUCH WITH GOOD RESULTS  
CANNOT BE FOOLISH / CAUSELESS

SO LET US TEASE OUT OF  
AUTAORS WHAT REASONS MIGHT BE

WAY ?? TAKE CHINA (2½ PP OF CONTROLS)

GROWTH 11% . HOLDS YUAN DOWN v \$.

\$ RESERVES ACCUMULATN . ETC AS IN PAPER

CONTROLS = INTERNAL MIGRATION

= LOCAL OWNERSHIP JOINT VENTURES

= GENERAL CP CONTROL

POLITICAL ECONOMY (CONSTITUENCIES)

HOLDS KEY :

URBAN ELITE / MIDDLE CLASS (CP)

URBAN WORKERS

HOPE FOR RURAL POOR (ONLY)

LOW YUAN + \$ RESERVES  
MAINTAINS US MARKET

|| FINANCIAL CRISIS AS 1998

DISRUPTS STEADY PROGRESS

|| APPRECIATION (SLOWS EXPORTS) + CREATES  
CONSUMER BOOM / PERCEPTION OF UNFAIR

MANY OTHER SUCCESSFUL EMERGING COUNTRIES  
ARE SIMILAR: EXPORT/INVT EMPHASIS,  
WEAK CONSUMPTION, FINANCIAL CONTROL

CONCLUSION ON WHY: POLITICS DICTATES

CONTROL FOR RULING CLASS BY  
KEEPING EACH CONSTITUENCY "FED"

Good??

↳ LARGE LITERATURE ON  
POLITICAL ECONOMY OF GROWTH  
& BARRIERS TO RICHES (PARENTÉ  
& PRESCOTT) / (ACEMOGLU, ALESINA)

NON-EMERGERS (SUB-SAHARAN AFRICA)

RULERS ERECT BARRIERS TO ALL  
BUT OWN SUPPORTERS / TRIBE

EMERGERS (ASIA ...)

BARRIERS TO ENTRY ELIMINATED  
FOR EXTRA CLASS - FOREIGN CAPITALISTS  
WHO BENEFIT RULING CLASS THROUGH  
JOINT VENTURES

BUT GENERALISING ELIMINATION  
COULD RISK POLITICAL INSTABILITY

SO, YES, GOOD! BETTER EMERGENCE  
THAN NOT - & IF PRICE IS POLITICAL  
CONTROL SO BE IT.

EXCEPTION THAT PROVES RULE: HK

HK: FREE MARKETS, NO FINANCIAL CONTROLS,  
CURRENCY BOARD [NO NEED FOR MONEY.  
AUTONOMY GIVEN BUS. CYCLE & WORLD CYCLE]

HOW COULD THIS OPTIMUM OCCUR?

NO POLITICS - PURE COLONIAL STATUS  
UNTIL RECENTLY & HANDOVER GUARANTEE  
SPECIAL STATUS CONTINUATION

CONCLUSION: FASCINATING PAPER  
PRODUCING ASTONISHING FACTS WHICH  
FIT OUR MODERN UNDERSTANDING:  
POLITICS / POLITICS / POLITICS