

# Discussion to “The Aggregate and Distributional Effects of Financial Globalization”

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# General impression

- Very nice paper, relevant topic

# Globalization



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- Novel approach: aggregate and distributional effects
- Identification: country and industry data
- Important policy implications

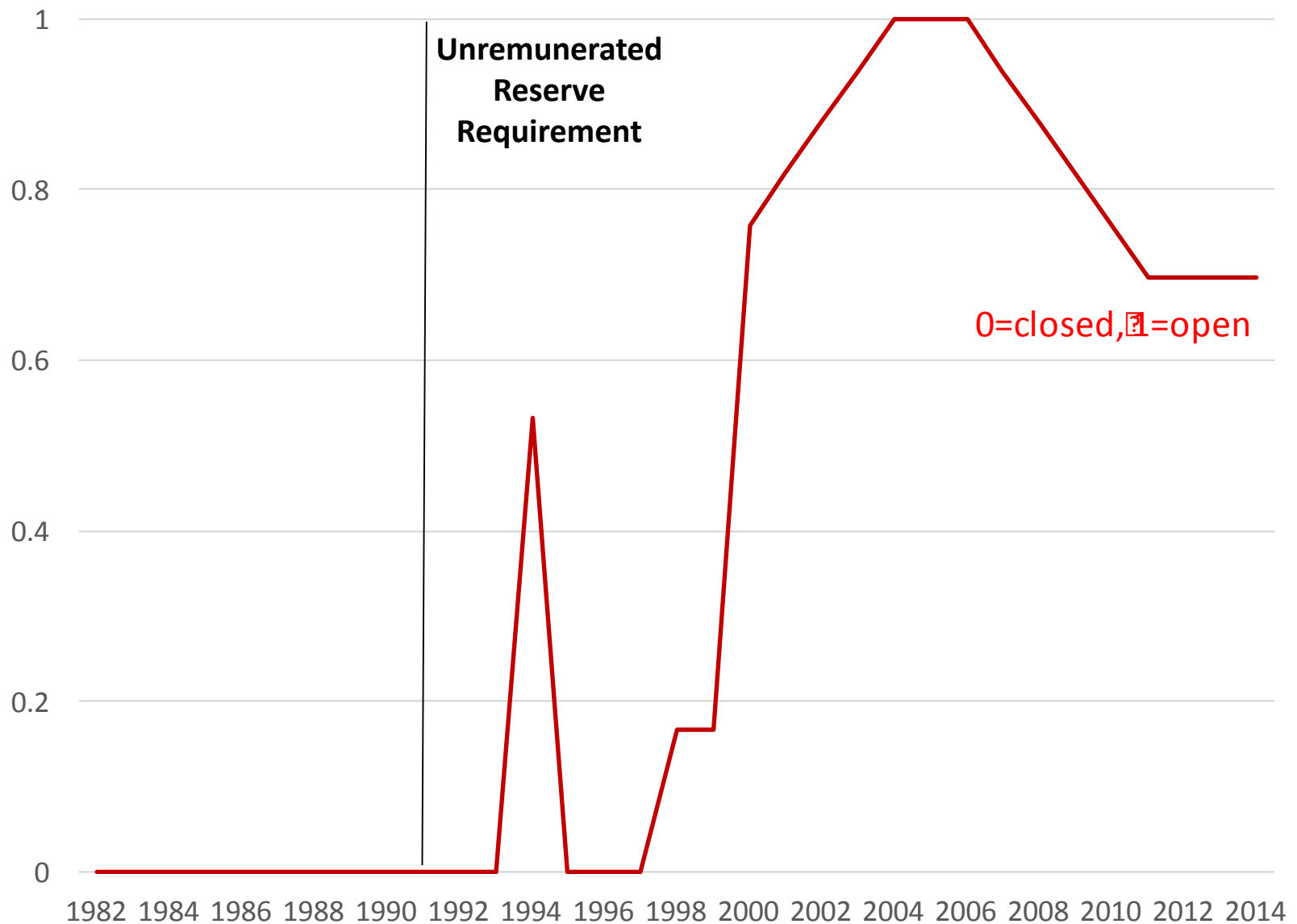
# Measurement: capital flows

- Paper looks at liberalization of capital flows:
  - Capital inflows
  - Capital outflows
- Looks at capital flows in general:
  - Foreign direct investment
  - Portfolio flows (bonds, stocks)
  - Bank credit
- New data of Schindler et al. (2016)

# Measurement: capital openness index

- Paper uses Chinn and Ito (2008) index
- Liberalization event: annual change exceeds two standard deviations
- Important to map liberalization events to actual policy and regulatory changes

# Capital account openness index Chile





# Measurement: outcome variables

- Paper looks at GDP. Could also look at:
  - Employment
  - Capital stock
  - Productivity
  
- Paper looks at Gini and labor share. Could also look at:
  - Poverty
  - Wages
  - Wage inequality

# Link to existing literature

- Bekaert et al. (2005) show that stock market liberalization increases GDP growth by 1%, confirmed by Gupta and Yuan (2009)
- Differences?
  - Equity inflows versus other inflows
  - Sample of countries: emerging economies
  - Sample of time
- Methodology: STAR model is not standard

# Permanent versus transitory controls

The Economist

Topics ▾

Print edition

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## Just in case

*Capital controls are back as part of many countries' financial armoury*

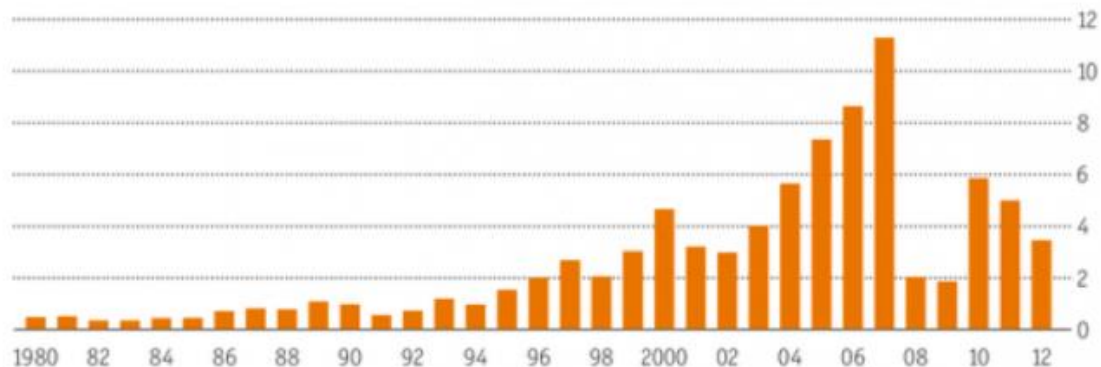
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### What goes up too much must come down

Cross-border capital flows, \$trn\*



Source: McKinsey Global Institute

\*2012 exchange rates, 173 countries

# Policy Implications

- Trade-off between efficiency and equity
- Who are the winners and losers?
- Backlash against globalization. Contained by policies that compensate losers
- Welfare state, retraining of dislocated workers?

# Conclusions

- Very nice paper
- Unified approach to financial globalization
- Definitely recommend to read!

Thanks!