Comments on Anton Korinek's

`Capital Controls and Currency Wars'

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A capital control that internalizes an externality is good.

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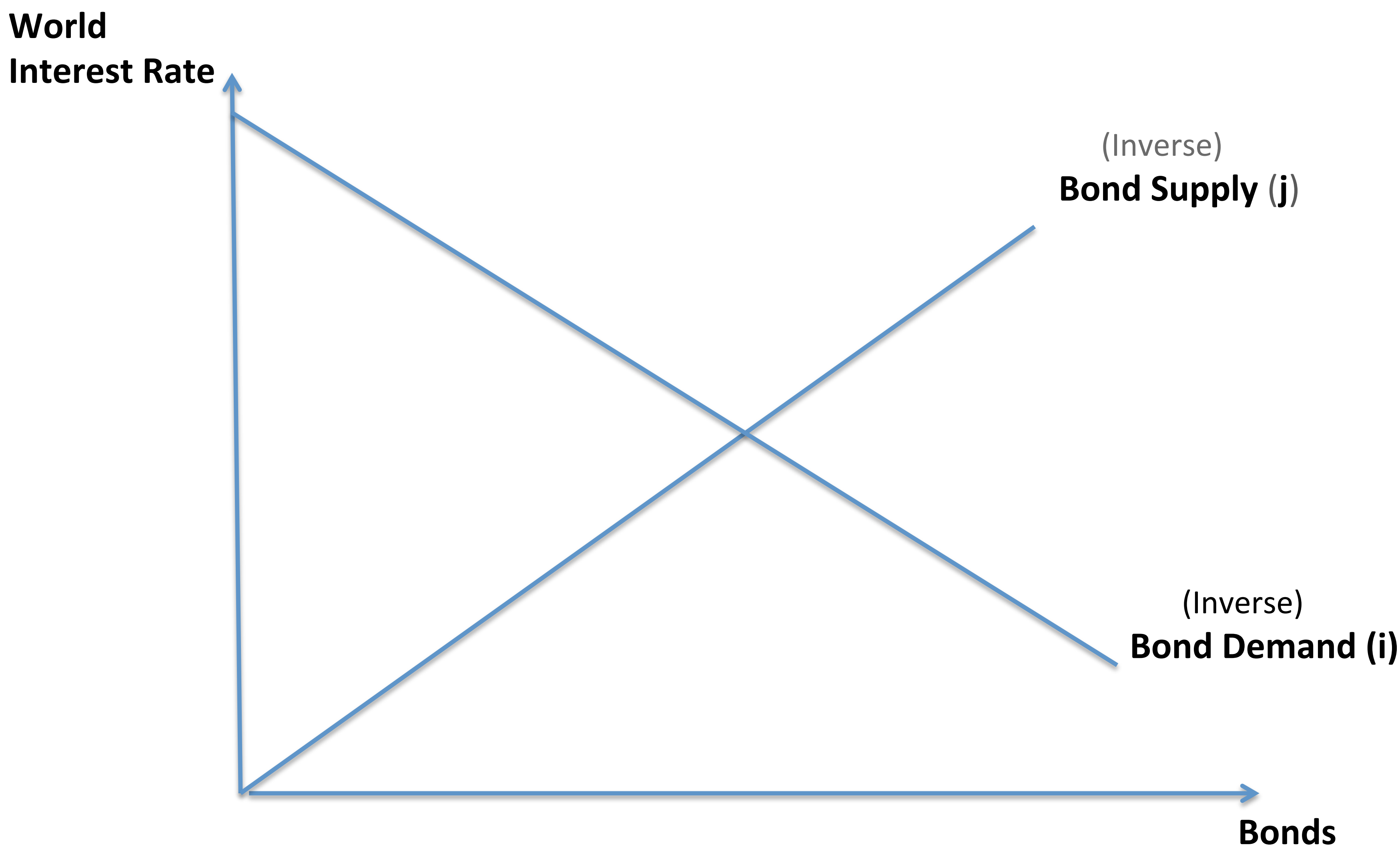
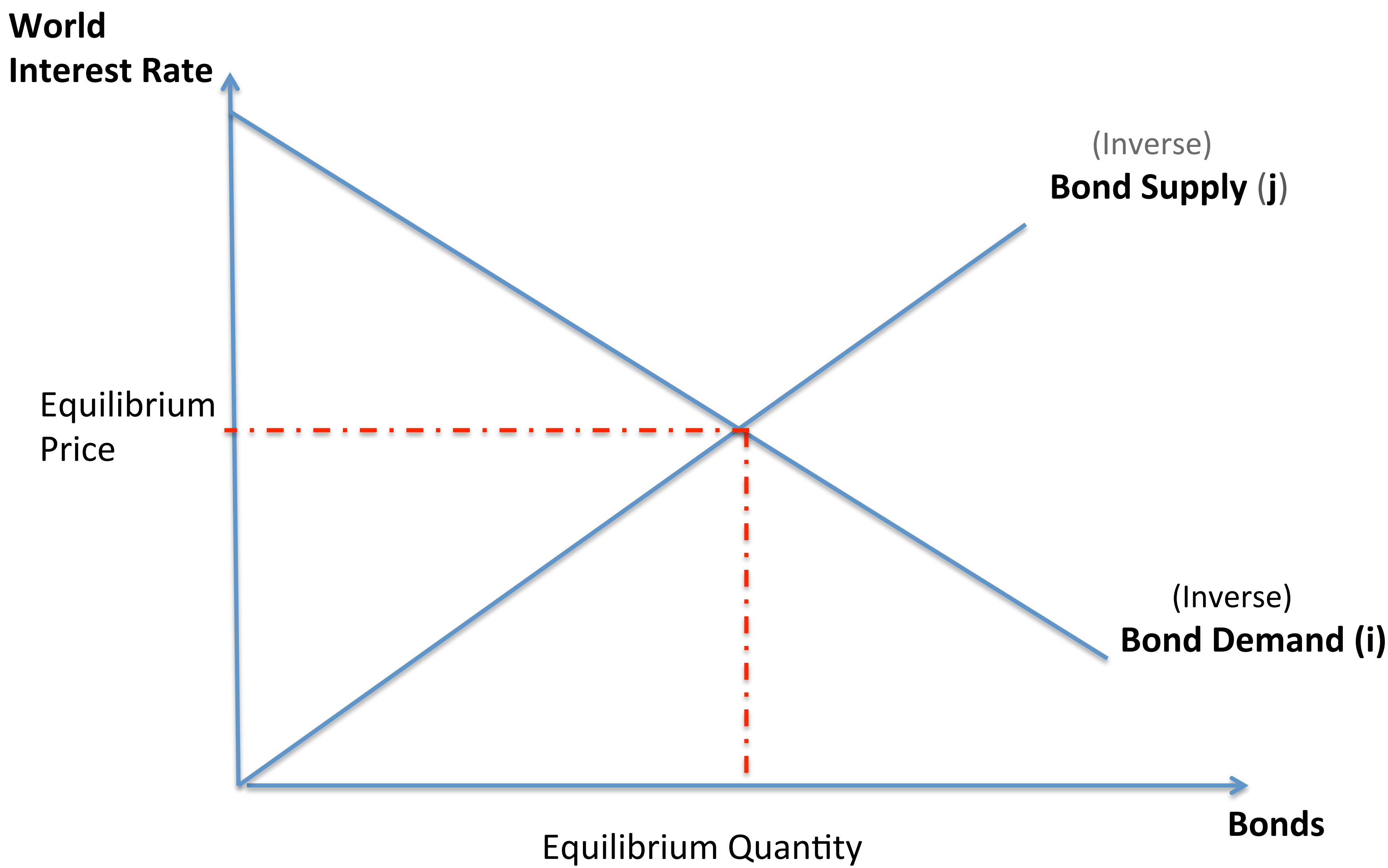
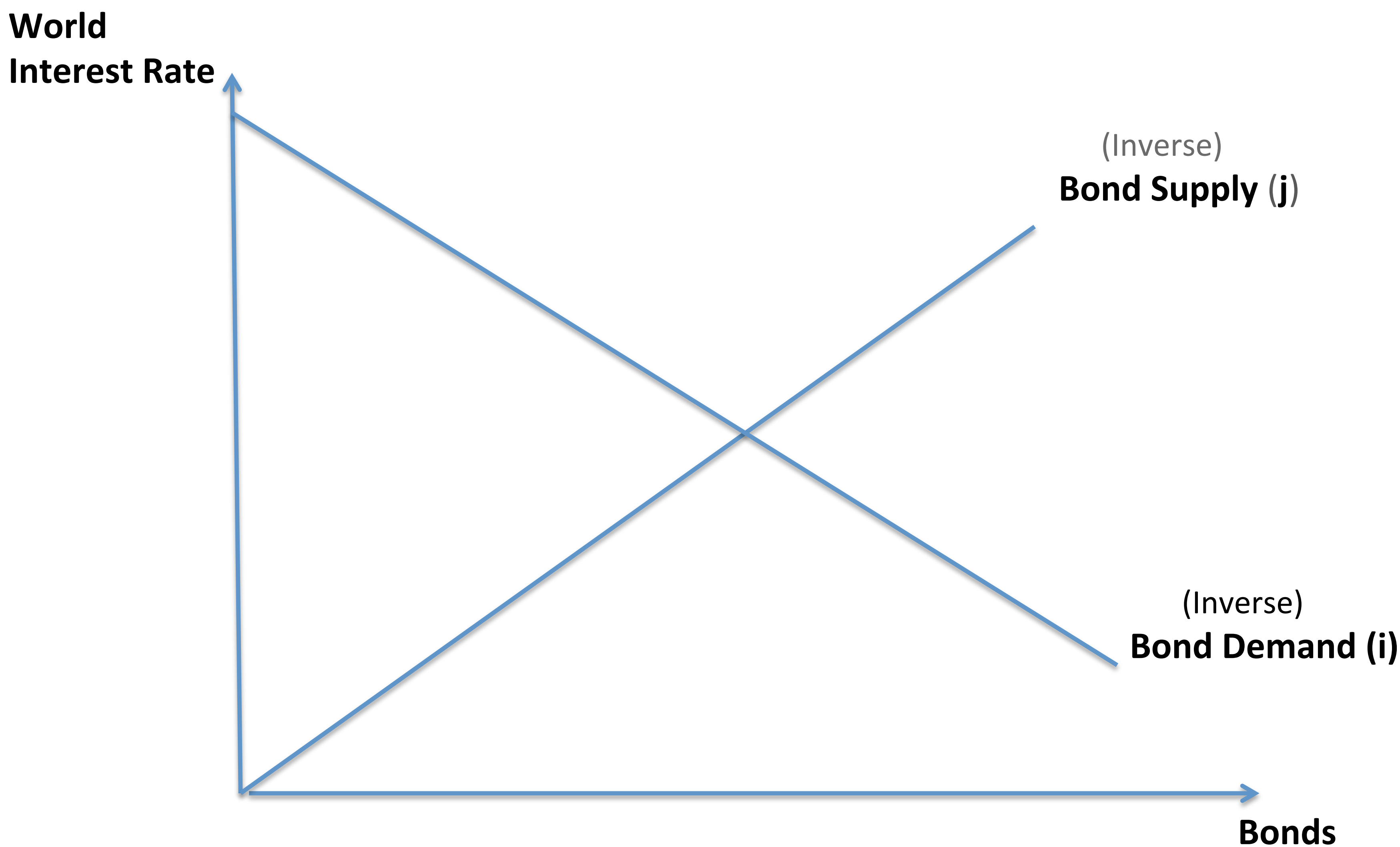
Sans the externality, it’s not good.

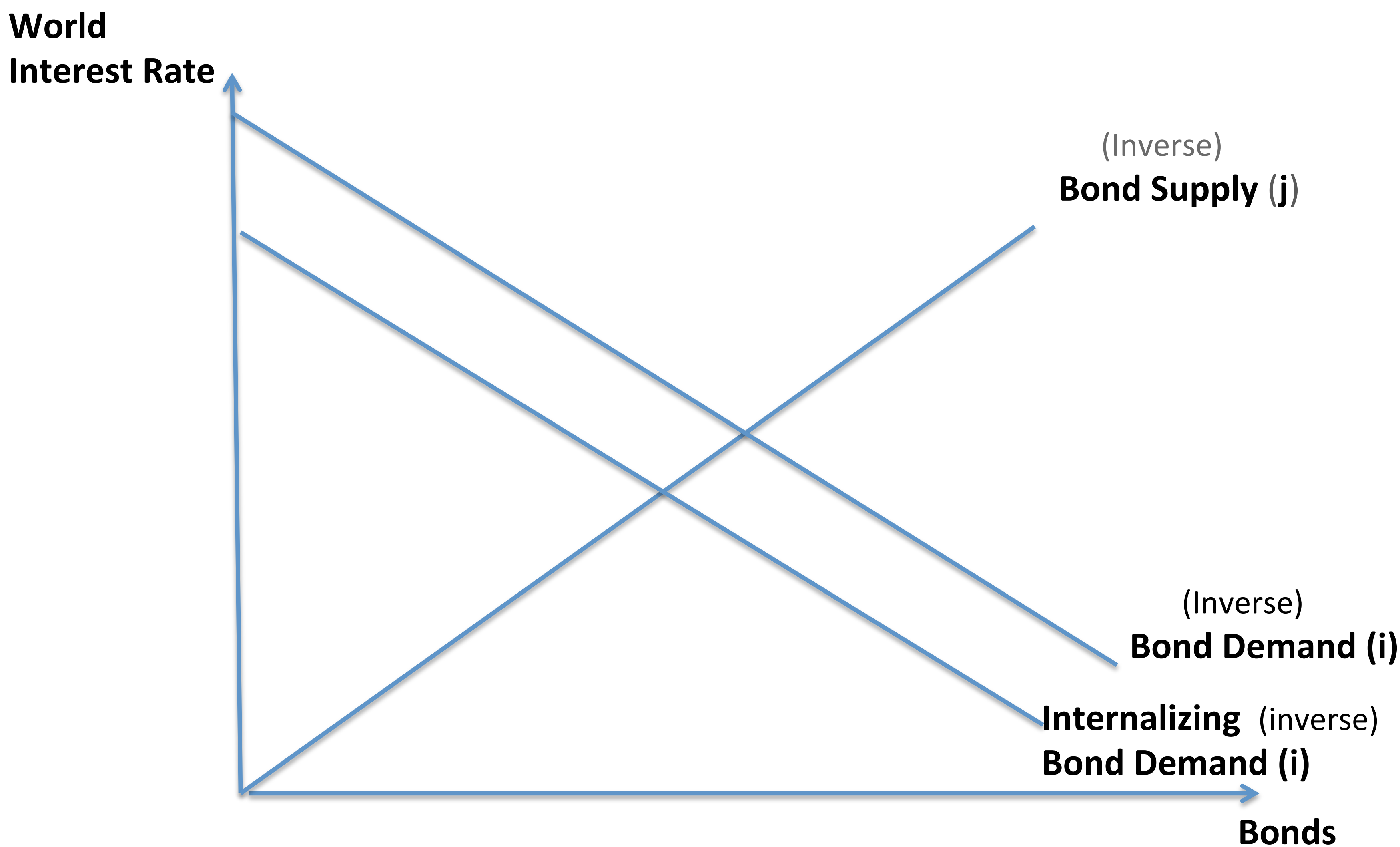

World
Interest Rate
(Inverse)
Bond Supply (j)
(Inverse)
Bond Demand (i)
Bonds

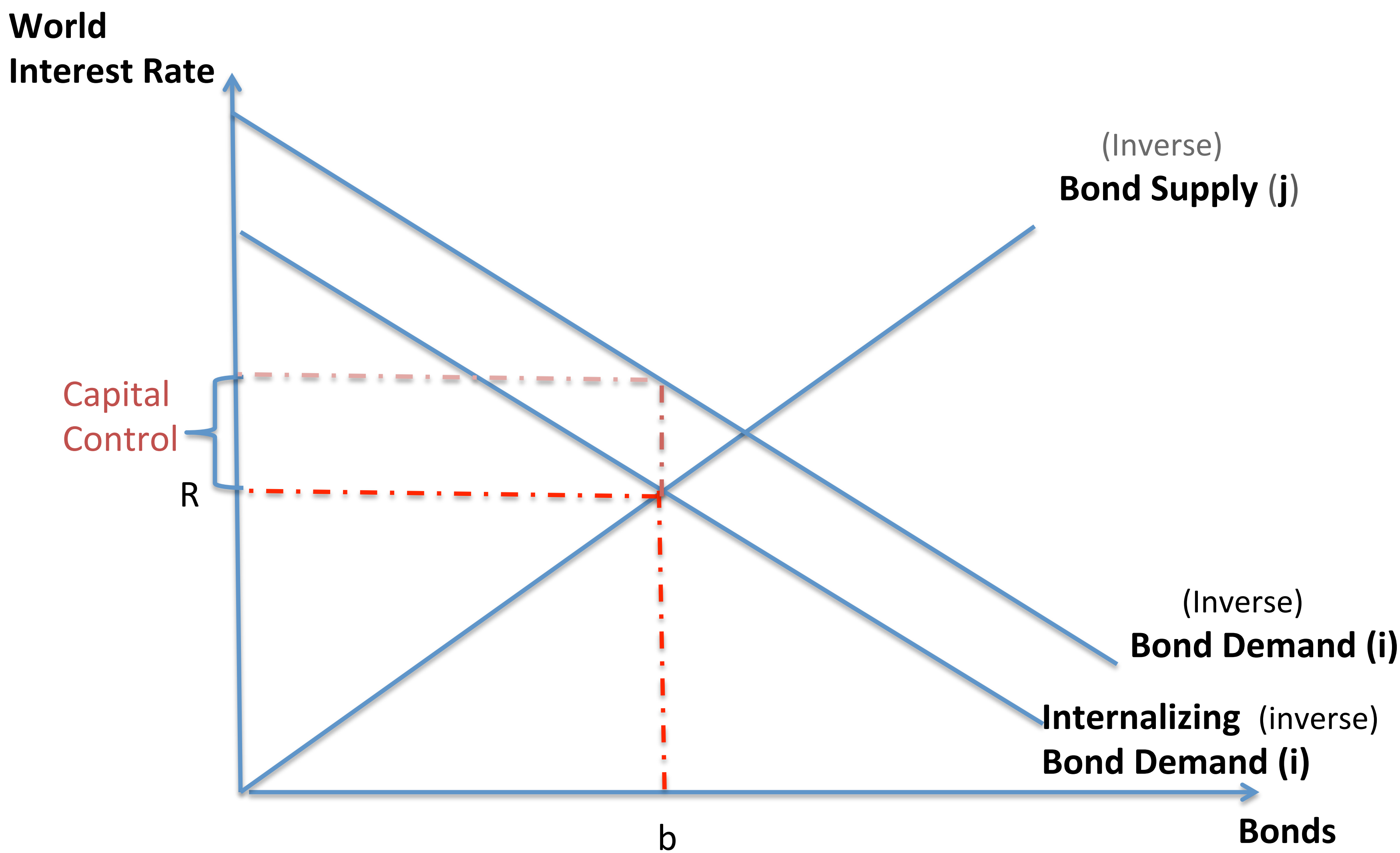


Laissez Faire Equilibrium



World
Interest Rate
(Inverse)
Bond Supply (j)
(Inverse)
Bond Demand (i)
Bonds


World
Interest Rate
(Inverse)
Bond Supply (j)
(Inverse)
Bond Demand (i)
Internalizing (inverse)
Bond Demand (i)
Bonds



Equilibrium with National Planner

Currency War

Currency War

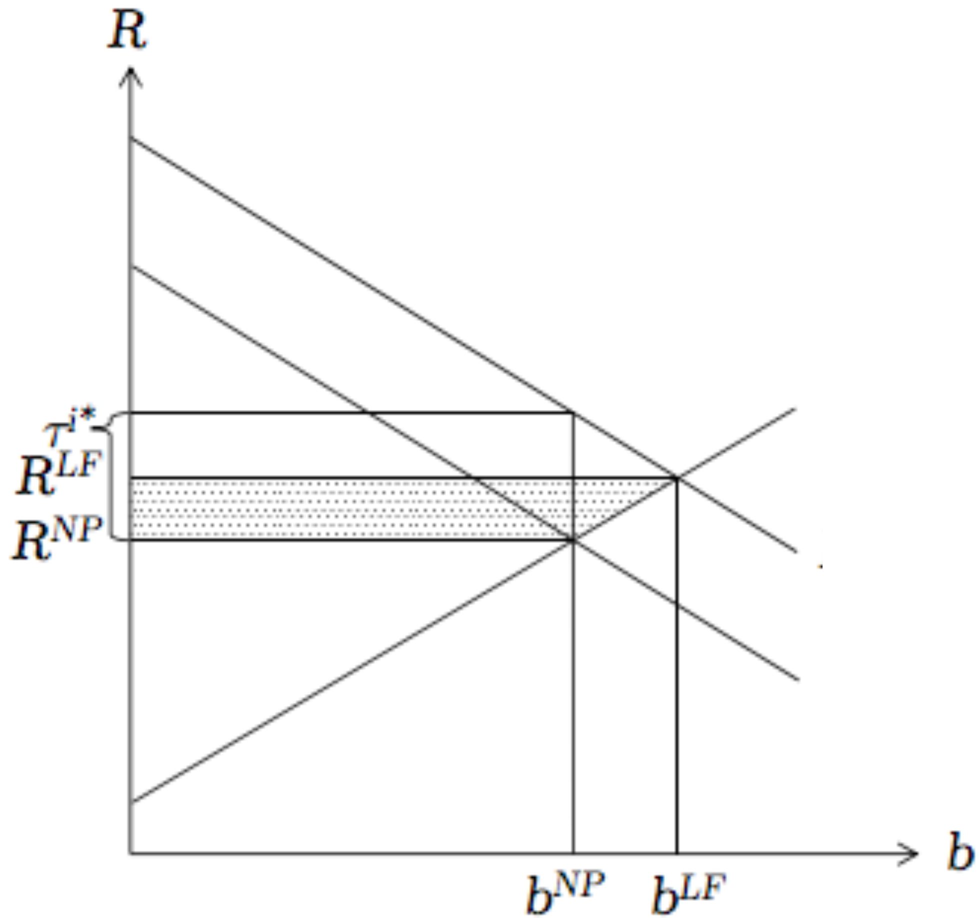


Figure 1

Currency War

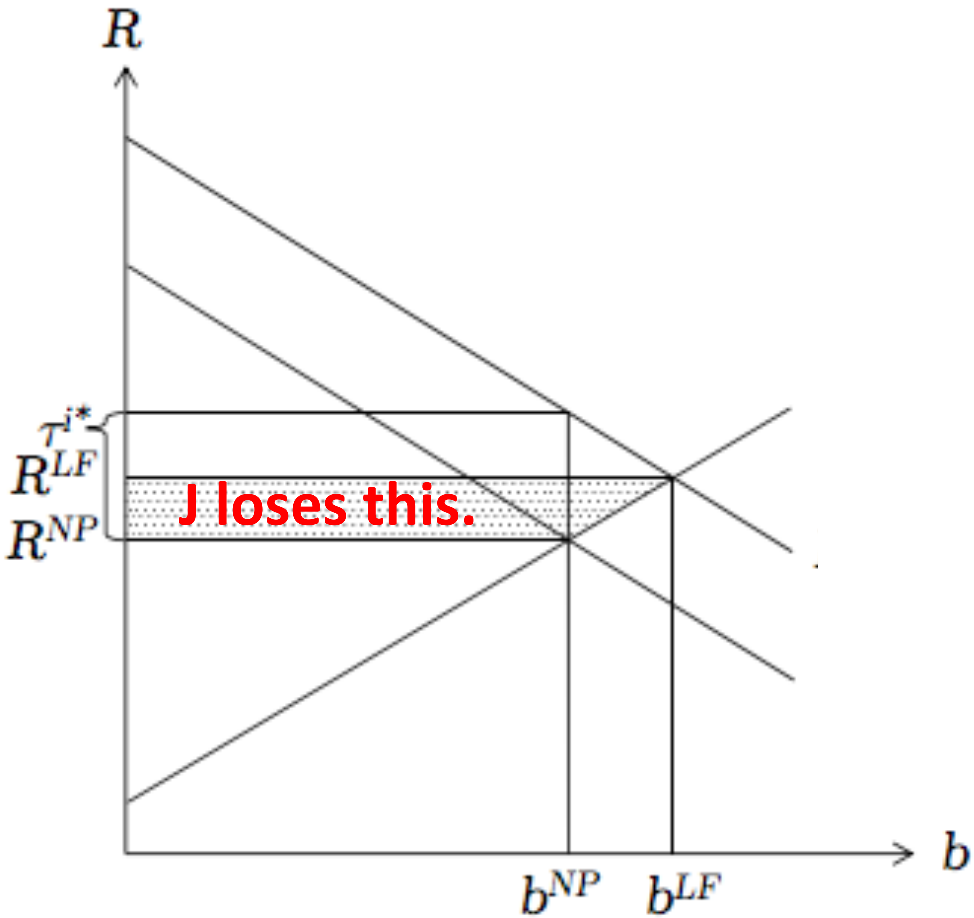


Figure 1

Currency War

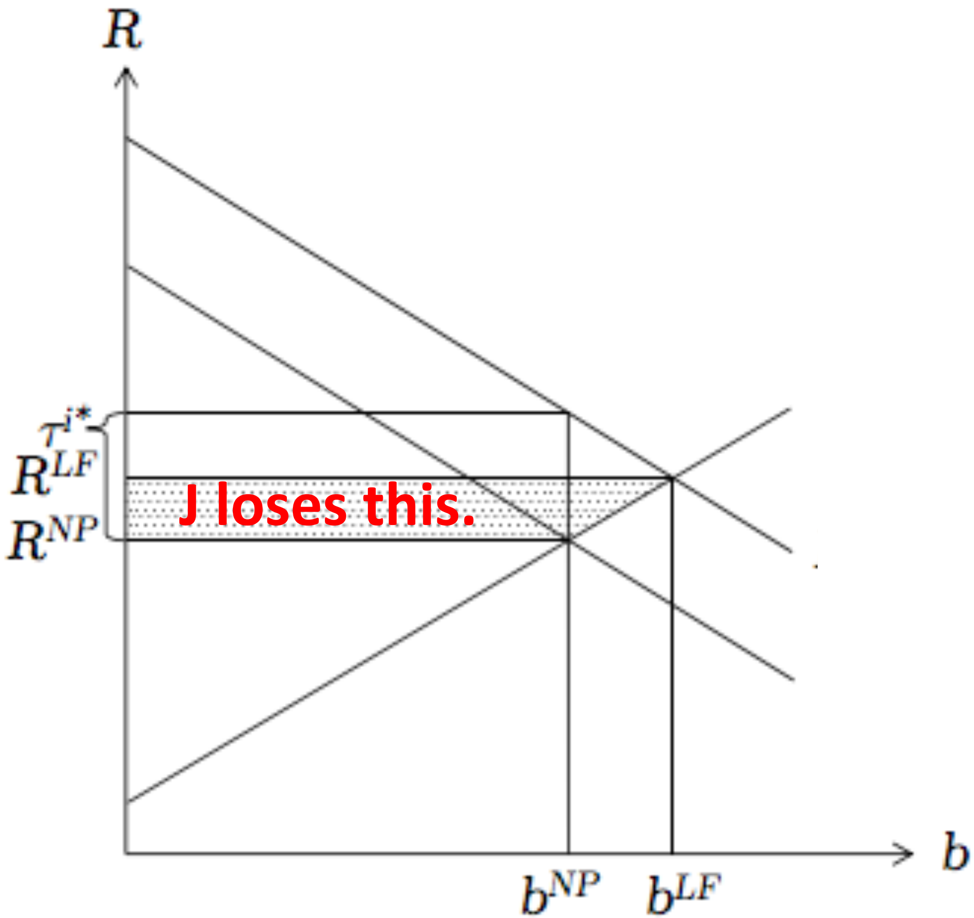


Figure 1

J complains.

Currency War

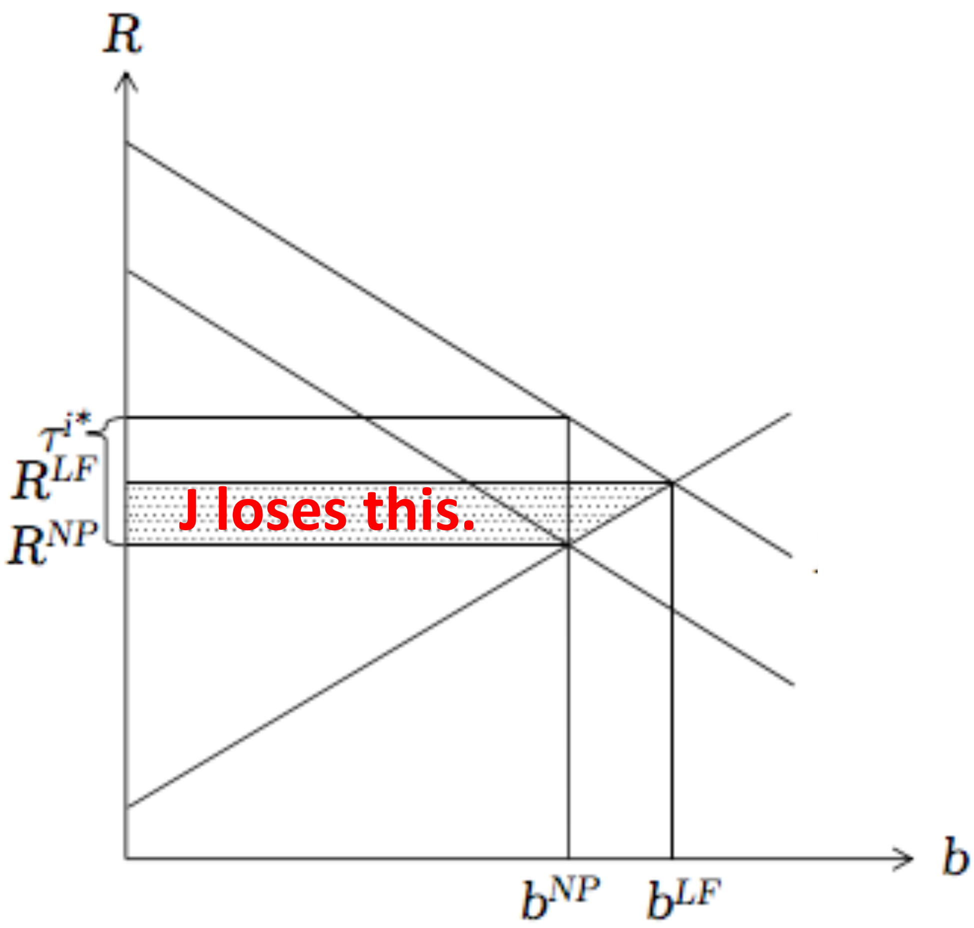


Figure 1

J complains. Too bad.

Each country internalizes its own externality

Each country internalizes its own externality

Pareto Efficiency

Antecedent

Eichengreen & Sachs, 1985

Journal of Economic History

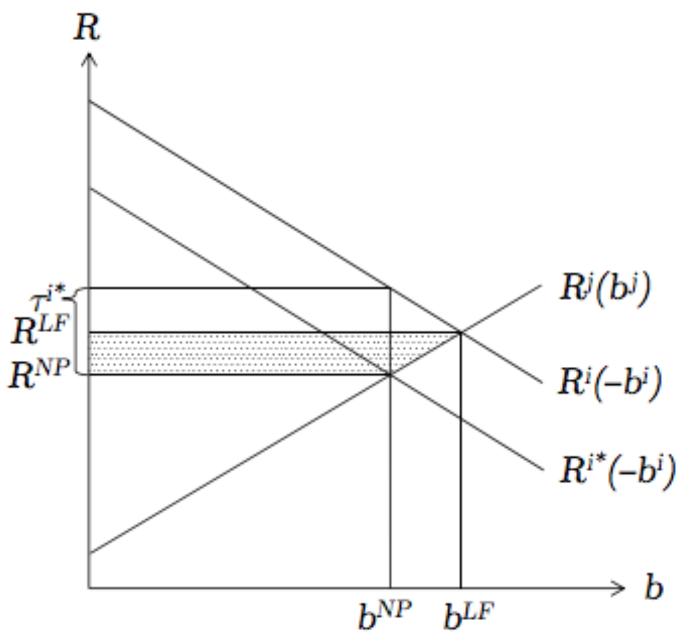
Recent Manifestation

Brazil Complains About Monetary Policy

Brazil's President Dilma Rousseff participates in a ceremony of announcement for new measures of the Plan "Brasil Maior" and the installation of Sector Councils for competitiveness in Brazil April 3, 2012.

Careful Catalogue

Careful Catalogue



Careful Catalogue

Generalizations

- Reserve accumulation
- Uncertain states of nature
- Real investment

Careful Catalogue

Externalities

- Learning by exporting
- Learning through employment
- Zero lower bound

Careful Catalogue

...but wait, there's more

- Small economy
- Large economy
- Commitment problems
- Distortive controls
- Imperfect controls

Minor Comments

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1. Benchmark

Savers forever savers.

Borrowers forever borrowers.

Might transversality conditions be appropriate?

Minor Comments

2. Relatedly

   Additional cases with dynamics would allow for fleshing out Michael Klein's "Walls vs. Gates."

Minor Comments

3. \`Currency Wars'

$P_T = 1$.

The exchange rate is P_{Ni}.

The \`currency war' is masked.

Minor Comments

3. \`Currency Wars’

More explicit:

Monopolistic competition in traded goods: $P_{Ti} \neq P_{Tj}$