Discussion of C.Y. Renhart on "Tools for Controlling Capital..."

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 authors what reasons might be.

Way?? Take China (2½ pp of controls)

- Growth 11%. Holds Yuan down vs. $.
- $ reserves accumulation. 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"
1. LARGE LITERATURE ON
Political Economy of Growth
2. BARRIERS TO RICHES (PARENTSE
   & PRESCOTT) / (ACEMOGLU, ACESINA)

NON-EMERGERS (SUB-SAHARIAN 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, go! Better emergence than not—i.e., 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