

**Capital Flows and the
Emerging Economies**
Theory, Evidence,
and Controversies

Edited by **Sebastian Edwards**

The University of Chicago Press

Chicago and London

Contents

Acknowledgments	ix
Introduction	1
Sebastian Edwards	
I. CAPITAL FLOWS TO DEVELOPING COUNTRIES: THEORETICAL ASPECTS	
1. Contagion, Globalization, and the Volatility of Capital Flows	15
Guillermo A. Calvo and Enrique G. Mendoza	
<i>Comment:</i> Rudiger Dornbusch	
2. Fire-Sale FDI	43
Paul Krugman	
<i>Comment:</i> Aaron Tornell	
3. Capital Flows to Emerging Markets: Liberalization, Overshooting, and Volatility	61
Philippe Bacchetta and Eric van Wincoop	
<i>Comment:</i> Carmen M. Reinhart	
II. CROSS-COUNTRY EVIDENCE	
4. What Explains Changing Spreads on Emerging Market Debt?	107
Barry Eichengreen and Ashoka Mody	
<i>Comment:</i> Sylvia Maxfield	

5. Is There a Curse of Location? Spatial Determinants of Capital Flows to Emerging Markets	137
Swati Ghosh and Holger Wolf	
<i>Comment:</i> Miguel A. Savastano	
6. Capital Flows and the Behavior of Emerging Market Equity Returns	159
Geert Bekaert and Campbell R. Harvey	

III. CAPITAL FLOWS TO LATIN AMERICA, ASIA, AND EASTERN EUROPE

7. Capital Flows, Real Exchange Rates, and Capital Controls: Some Latin American Experiences	197
Sebastian Edwards	
<i>Comment:</i> Jose De Gregorio	
8. Capital Flows in Asia	255
Takatoshi Ito	
<i>Comment:</i> Dani Rodrik	
9. Capital Flows to Central and Eastern Europe and the Former Soviet Union	299
Stijn Claessens, Daniel Oks, and Rossana Polastri	
<i>Comment:</i> Michael P. Dooley	
Contributors	341
Author Index	343
Subject Index	347