The industrialised world has recently witnessed a dramatic increase in the volume of international capital movements in the forms of borrowing and lending, bond transactions and foreign direct investment. At the same time, many non-OECD countries have embarked on extensive programmes of capital market liberalisation.

This volume, drawn from the proceedings of a CEPR conference with the Bank of Israel and the Pinhas Sapir Center for Development, Tel-Aviv University, examines the implications of this increased international capital mobility for both industrialised and developing countries. The contributors look at the effect of recent developments on economic fluctuations, and on fiscal and monetary policies under alternative exchange rate regimes. They also address the erosion of capital taxation as a source of government revenue, the contribution of mobile capital to development with 'endogenous growth', the role of mobile capital in reducing unemployment where there are large-scale population flows, and the convergence of national growth rates.

Capital mobility: the impact on consumption, investment and growth

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Preface

Financial market integration is at the centre stage of current world economic developments. Economic theory suggests that increased capital mobility could either smooth or increase the volatility of economic activity for the individual countries. A conference on 'International Capital Mobility and Development' was held in Tel-Aviv, Israel, on 20–22 December 1992, to provide a forum for the discussion of recent research in this area. The conference was jointly sponsored by the Bank of Israel, CEPR and the Pinhas Sapir Center for Development at Tel-Aviv University. This volume is based on the papers and discussions presented at the conference.

Throughout the organisation of the Tel-Aviv conference we received invaluable advice and support from CEPR (in particular from Richard Portes, Stephen Yeo, David Guthrie, and Kate Millward) and from the Pinhas Sapir Center (in particular from Nava Ganor and Laura Bundt). We are grateful to all of them for the help they have provided, and to the Bank of Israel for additional financing. We thank our Production Editor, Barbara Docherty, for her very valuable input into the production of this book.

May 1993

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