

Discussion of “Crisis, Capital Controls and Covered Interest Parity: Evidence from China in Transformation

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The views expressed are those of the discussant and not those of the IDB or its Executive Board.

Overall

- Interesting empirical paper:
 - Are capital controls effective in China?
- Important question:
 - Capital controls are at the heart of China monetary, exchange, and financial policy
- Lots of work and results reported
 - A bit difficult to tell contribution and take messages home
 - But there is lots of food for thought

What does the paper do and what it may want to do?

- Reviews capital controls in China (useful and informative):
 - They change over time
 - Build an index with nice statistical properties
- Looks at price and quantities (short and long term time horizon?)
 - May be too much for one paper
 - Worth splitting in two?

Focus on prices

- Paper at looks at the most recent period, including the global crisis (Main difference compared to Ma and McCauley, 2008)
 - Why is this important?
 - What does exercise tells us?
- Look at CIP to infer Capital controls effectiveness
- NDF market permits to conduct analysis
- I'd like to see analysis conditional intensity of capital controls
 - Paper should go after $\Delta CIP / \Delta CIP$
 - Can you condition on an index of CC?

Thank you



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