

# Domestic Crony Capitalism and International Fickle Capital: Is There a Connection?<sup>†</sup>

Shang-Jin Wei

First published: 16 December 2002

<https://doi.org/10.1111/1468-2362.00064>

Citations: 59

## Abstract

Domestic crony capitalism and fickle international capital flows are often suggested as two *rival* explanations for currency crises. This article examines a possible linkage between the two that has not been explored much in the literature: domestic crony capitalism may make a country more dependent on the more fickle type of international capital flows (e.g. international bank loans) rather than the less volatile type (e.g. foreign direct investment). It presents statistical evidence that the degree of domestic crony capitalism is indeed associated with a higher external loan-to-FDI ratio. Such a composition of capital flows has been identified as being associated with a higher incidence of a currency crisis. Therefore, even though crony capitalism does not forecast the exact timing of a crisis, it can nevertheless increase its likelihood.

## Citing Literature



[Download PDF](#)

### ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

### HELP & SUPPORT

[Contact Us](#)  
[Training and Support](#)  
[DMCA & Reporting Piracy](#)

#### **OPPORTUNITIES**

[Subscription Agents](#)  
[Advertisers & Corporate Partners](#)

#### **CONNECT WITH WILEY**

[The Wiley Network](#)  
[Wiley Press Room](#)

Copyright © 1999-2025 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

**WILEY**