

[< Home](#)

# Capital Account Liberalization, Institutions and Financial Development: Cross Country Evidence

---

Menzie D. Chinn & Hiro Ito

SHARE



---

WORKING PAPER 8967

DOI 10.3386/w8967

ISSUE DATE May 2002

---

The empirical relationship between capital controls and the financial development of credit and equity markets is examined. We extend the literature on this subject along a number of dimensions. Specifically, we (1) investigate a substantially broader set of proxy measures of financial development; (2) create and utilize a new index based on the IMF measures of exchange restrictions that incorporates a measure of the intensity of capital controls; and (3) extend the previous literature by systematically examining the implications of institutional (legal) factors. The results suggest that the rate of financial development, as measured by private credit creation and stock market activity, is linked to the existence of capital controls. However, the strength of this relationship varies with the empirical measure used, and the level of development. These results also suggest that only in an environment characterized by a combination of a higher level of legal and institutional development will the link between financial openness and financial development be readily detectable. A disaggregated analysis indicates that in emerging markets the most important components of these legal factors are the levels of shareholder protection and of accounting standards.

Download a PDF

[Information on access](#)

**Acknowledgements and Disclosures**

---



**Download Citation**

---



## Related

### TOPICS

[International Economics](#)  
[International Finance](#)  
[International Macroeconomics](#)

### PROGRAMS

[International Finance and Macroeconomics](#)

## More from NBER

---

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Retirement and Disability](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



16<sup>th</sup> Annual Martin Feldstein Lecture:

## **Lessons for Economists from the Pandemic**

Cecilia E. Rouse, The Brookings Institution  
and Princeton University  
July 22, 2024

### **2024, 16th Annual Feldstein Lecture, Cecilia E. Rouse, "Lessons for Economists from the Pandemic"**

FELDSTEIN LECTURE

PRESENTER: [CECILIA E. ROUSE](#)

Cecilia Rouse, president of the Brookings Institution and a professor at Princeton University, who chaired the Council...



Methods Lectures, Summer Institute 2024:

## **Analysis and Design of Multi-Armed Bandit Experiments and Policy Learning**

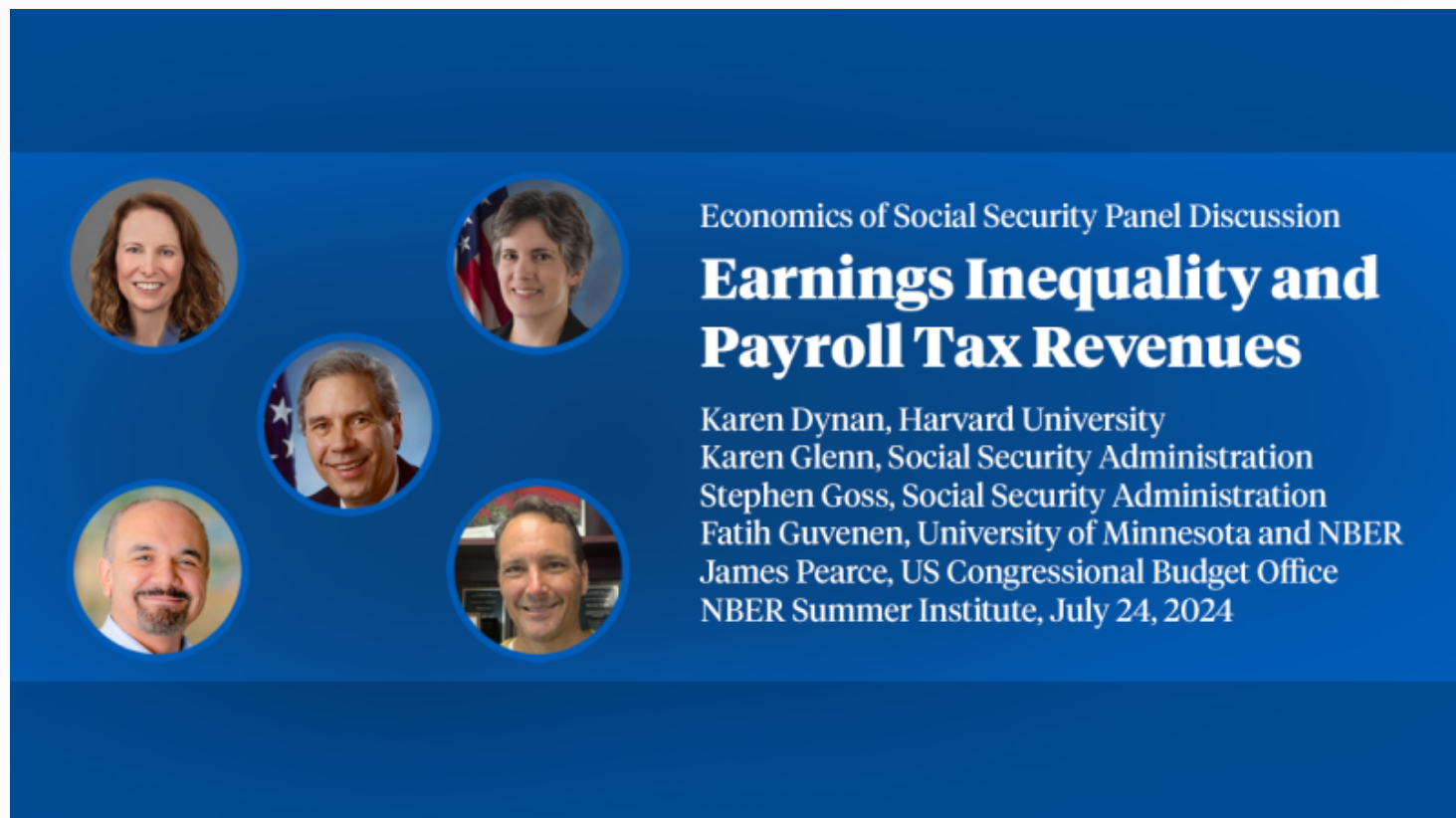
Susan Athey, Stanford University and NBER  
July 25, 2024

## **2024 Methods Lecture, Susan Athey, "Analysis and Design of Multi-Armed Bandit Experiments and Policy Learning"**

METHODS LECTURES

PRESENTER: [SUSAN ATHEY](#)

Background Materials:backgroundAthey, Susan, Undral Byambadalai, Vitor Hadad, Sanath Kumar Krishnamurthy, Weiwen Leung...



Economics of Social Security Panel Discussion  
**Earnings Inequality and Payroll Tax Revenues**  
Karen Dynan, Harvard University  
Karen Glenn, Social Security Administration  
Stephen Goss, Social Security Administration  
Fatih Guvenen, University of Minnesota and NBER  
James Pearce, US Congressional Budget Office  
NBER Summer Institute, July 24, 2024

## **2024, Economics of Social Security Panel, "Earnings Inequality and Payroll Tax Revenues"**

PANEL DISCUSSION

PRESENTERS: [KAREN DYNAN](#), KAREN GLENN, STEPHEN GOSS, [FATIH GUVENEN](#) & [JAMES PEARCE](#)

**National Bureau of Economic Research**

Contact Us

1050 Massachusetts Avenue

Cambridge, MA 02138

617-868-3900

info@nber.org

webaccessibility@nber.org

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW



© 2024 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.