



Political Economy of Financial Stability and Equitable Growth

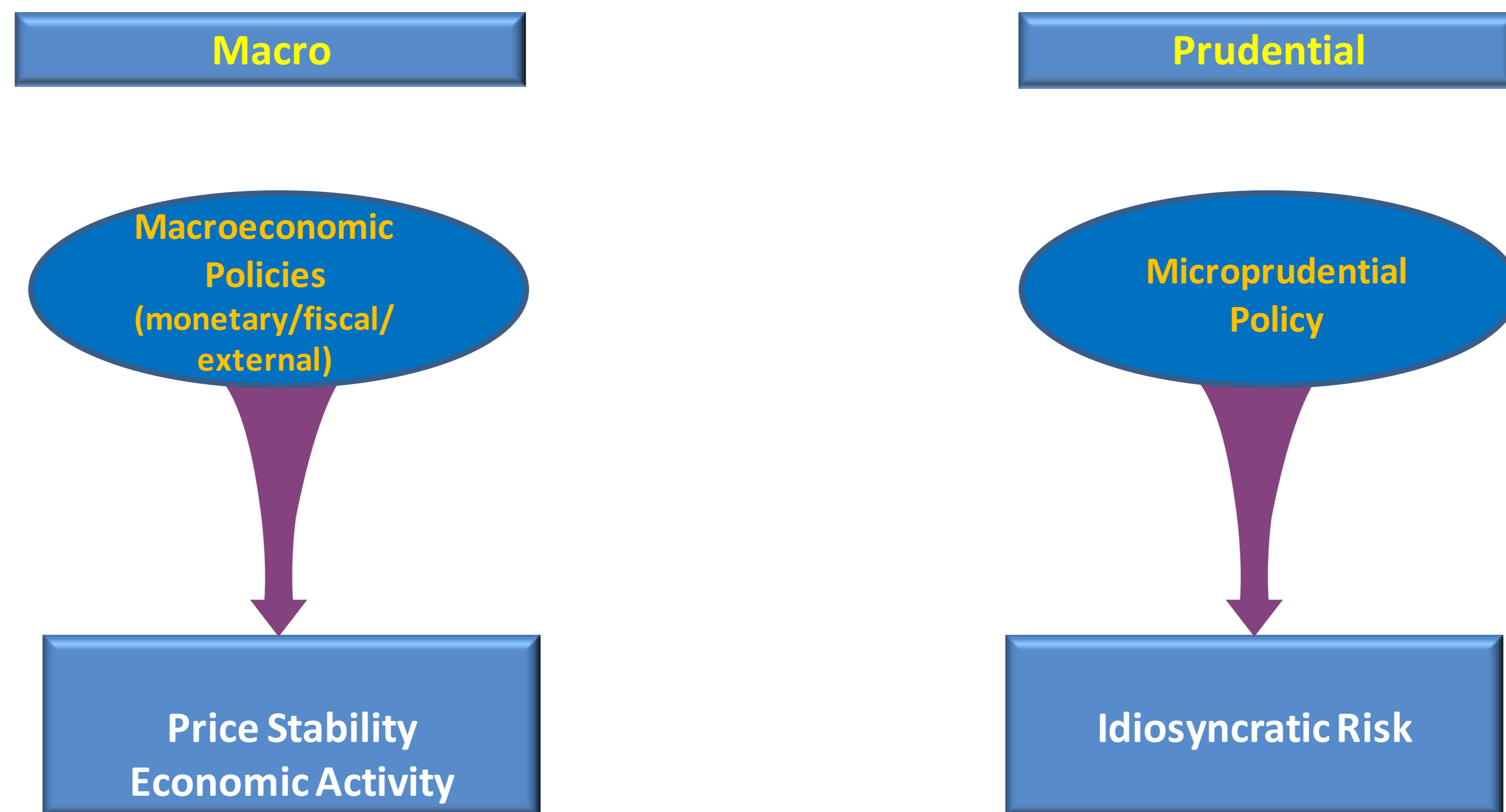
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*Macro-prudential Policies and Capital Account
Management for Financial Stability and Growth
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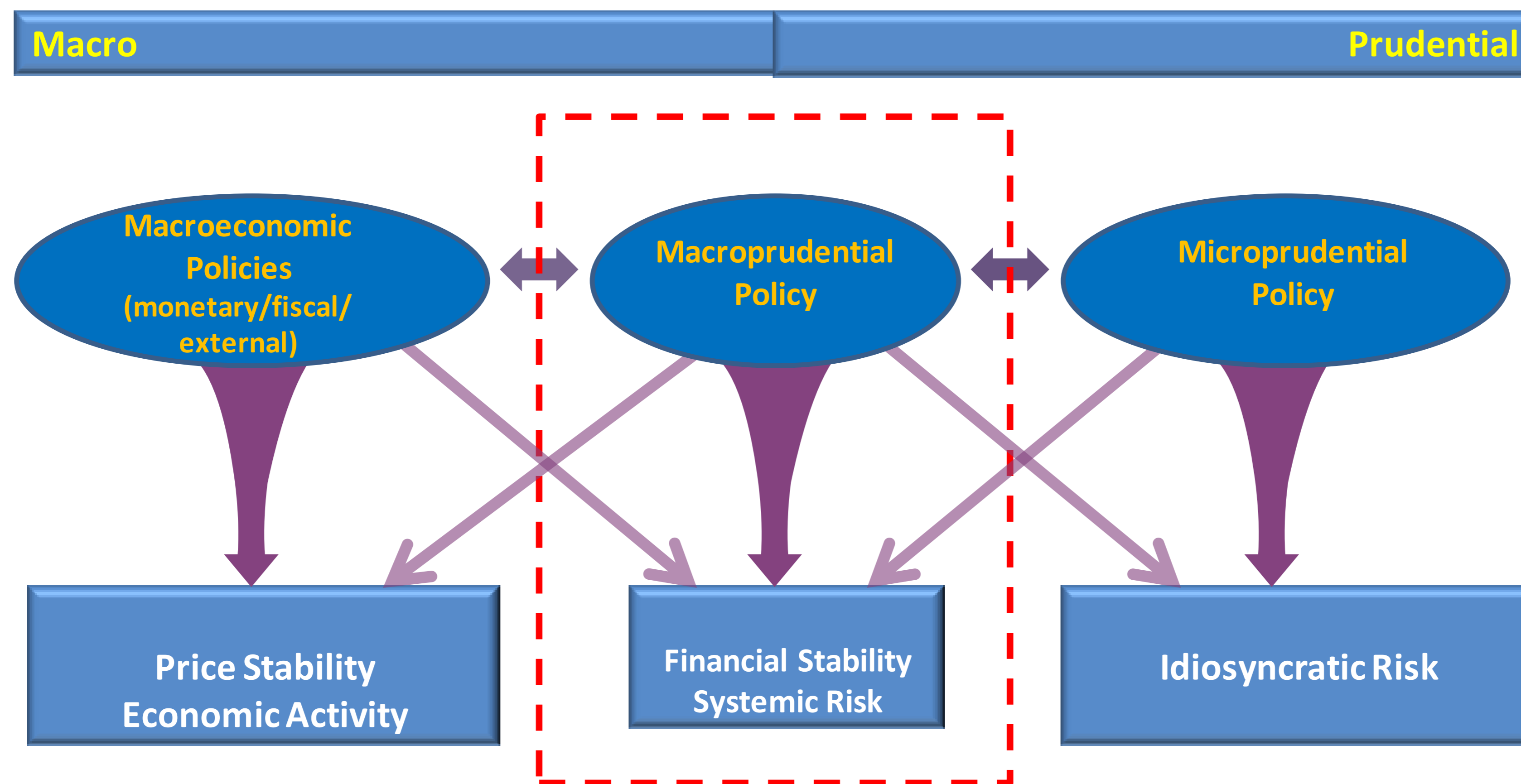
Role for Macro-prudential Policies

How we saw the world before the financial crisis



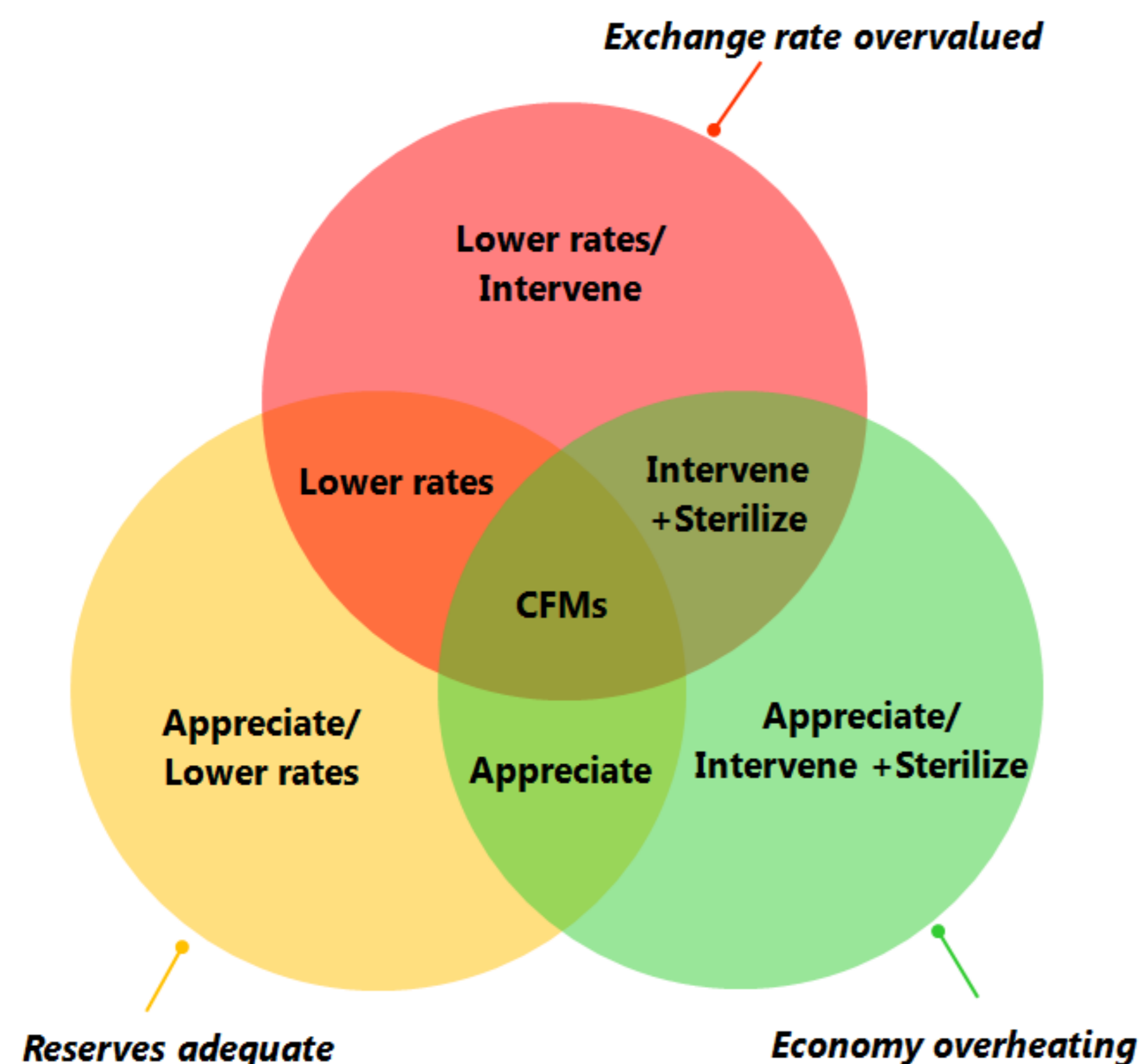
Role for Macro-prudential Policies

How we see the world now



Role for Capital Flow Measures (CFMs)

Managing capital inflow surges



Macro policy options

- Exchange rate appreciation, reduce interest rates, currency intervention

CFMs useful in certain circumstances

- Can use to address macroeconomic and financial sector vulnerabilities
- But not substitute for needed adjustment
- Preference for non-discriminatory CFMs (i.e., not based on residency)

Considerations for the use of CFMs

- **When to consider CFMs?**
 - In the intersection (i.e. when limited policy flexibility)
 - Other (i.e. when needed policy requires time)
- **How to design CFMs?**
 - Targeted
 - Transparent
 - Temporary
 - Non-discriminatory

Integrated Approach: an example

