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Capital Account Controls, Bank?s Efficiency, Growth and Macroeconomic Volatility in the FLAR?s Member Countries

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This paper evaluates the effects of capital account controls adopted in the past years by the FLAR’s member countries (Bolivia, Colombia, Costa Rica, Ecuador, Perú and Venezuela) on the efficiency of the banking sector, the economic growth and the volatility of output, consumption, and investment. The findings on efficiency show that the degree of the monopoly power in the loans and deposits markets are positively correlated with capital controls. The findings also indicate that, in general, capital controls neither reduce growth nor reduce macroeconomic volatility. On the contrary, and as it is expected, the capital account openness promotes growth.

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