

Is Capital Account First Strategy Harmful for a General Unemployment Economy?

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This paper challenges the argument of the 'current account first' strategy under a general unemployment economy. Based on the second best theory, the strategy is often justified by saying that removing capital controls in the presence of tariff will enlarge the welfare cost of tariff protection. We show that this may not be true if there is a general unemployment in the labor market. In case that liberalizing capital leads to capital outflows, welfare would be worse off via the capital liberalization. However, if capital inflows is the case then welfare may be better off when tariff level is not too high.

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- II. Model
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I. Introduction

Since 1970s while liberalization policies are widely adopted in most developing countries, e.g. Argentina, Chile and others in Latin America¹, liberalization order of the current account and the capital account has become a very popular issue in the trade literature.

Based on the second best theory, economists generally agree that the

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資本帳優先的自由化政策不好嗎？ ——未充分就業經濟體系的考慮

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摘要

本文在探討在一般性失業經濟下，資本帳先行自由化是否會使福利惡化。傳統充分就業模型的結論是，在沒有任何其他市場扭曲情況下，先於經常帳的資本自由化將使關稅的扭曲成本因資本流動而擴大，形成福利惡化。我們證明在未充分就業的情況下，資本移動除了擴大關稅的扭曲成本之外也可能(i)因資本流入而提高就業形成正的福利效果。若關稅水準不高，則正面的就業效果可能超過負面的關稅成本效果使福利提高。(ii)反之若資本自由化引起資本外流，則就業量因而降低使福利更加惡化。因此就自由化的順序而言，在有一般性失業下，若關稅“很高”，則應先行降低關稅，俟其降到“夠低”水準後方可考慮資本帳的自由化。