Are IMF Programs a Catalysis for Private Capital Flows to Middle Income Countries?

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Abstract
This paper examines the claim that IMF agreements catalyze other private capital flows. We identify a series of propositions from the literature which we test using a treatment effects model to examine how private capital flows into middle-income countries respond to IMF agreements. The main result is that there is generally a negative association between signing an IMF agreement and subsequent private inflows, though the direction and significance of catalysis varies according to the type of flow and the circumstances of the country. The finding that catalysis is complex and nuanced has important implications for policy that are briefly discussed.

Key words: international capital flows; IMF; catalysis; middle-income countries

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