# Preface

Emerging markets share the characteristics of adolescence. They are in the transition from independence to interdependence. The latter has the higher expected return of the equivalent of adult life, increased economic growth, but also the much more pronounced risk of the (adult life) crises ignited or made worse by capital flight. Economists' opinions have varied on whether countries should complete their domestic financial markets integration with global capital markets or try to insulate themselves through capital controls on capital inflows.

This volume presents a number of contributions presented at the 2005 meeting of the Inter-American Seminar on Economics (IASE 2005) held on December 1–3, at the Pontifical Catholic University (PUC-Rio), Rio de Janeiro, Brazil. The articles tackle several aspects of the preceding dilemma: finance and trade, capital flows and crises, global financial integration, domestic credit, and economic policy in emerging markets. Most papers deal with the unifying theme of whether capital controls help reduce macroeconomic volatility by examining both cross-country evidence and country-specific episodes. Although more research is needed in the topics addressed in this volume, the general conclusion is that strong fundamentals are the most important element to survive the volatility inherent to global financial markets. Furthermore, where domestic financial markets are already sophisticated, including derivatives markets, as in the case of Brazil, controls on capital inflows simply do not work for periods longer than a few months.