American Political Science Review (2022) 116, 2, 439–452
doi:10.1017/S0003055421000964 © The Author(s), 2021. Published by Cambridge University Press on behalf of the American Political Science Association.

The Ethics of Global Capital Mobility

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Global capital mobility is a crucial determinant of economic, political, and social life. While much has been written about the ethics of human movement, political theory has remained nearly silent on the ethics of capital movement. In this article, we intend to develop a general account of the ethics of global capital mobility—identifying both the forms of mobility that merit protection and those that merit restriction. By integrating normative theorizing with an economic analysis of global investment, we argue that the movement of capital, with important exceptions, should be much more restricted than it is today. We make the case, on both grounds of global justice and international assistance, for imposing coercive limits on cross-border inflows and outflows of capital. To enable them, we also propose a radical reform of the international monetary system—a new global currency—that would simultaneously facilitate beneficial capital movements.

"What makes the inflow of people so very different from the inflow of finance capital?" Robert Goodin (1992, 6) asked decades ago. Goodin's question was meant to unmask a possible hypocrisy, or at least inconsistency, in the way affluent countries were (and still are) so quick to liberalize the movement of capital while being so ready to restrict the movement of people. For Goodin, if the movement of capital is free, so should the movement of people, at least presumptively. Not everyone agreed, however. Brian Barry (1992) objected that there are very good reasons to limit the movement of people but less so for finance capital. Unlike the former, the latter, he claimed, is likely to work to everyone's economic benefit.

Since that brief exchange, a great deal has been written about the ethics of human movement (e.g., Carens 2013; Fine and Ypi 2016). By now, there is a large consensus among political theorists and philosophers that people ought to be freer to move than they currently are. But what about the ethics of capital movement? With exceptions, on this topic normative theory has remained relatively silent, despite the fact that capital mobility is undoubtedly one of the most important determinants of global economic, political, and social life.[1] In this article, we seek to develop a general account of the ethics of global capital mobility—identifying both the forms of mobility that merit protection and those that merit restriction. By integrating normative theorizing with a Keynes-inspired economic analysis of global investment (Borio 2016; Levy 2021; Meade 1975), we make the case that the movement of capital, with important exceptions, should be much more restricted than it is today. This argument justifies imposing coercive limits on cross-border capital mobility, referred to today as "capital flow management measures" (CFMs). No less, it warrants a radical reform of the international monetary system: the creation of a new global currency.

Global capital mobility has a history (Eichengreen 2008). In the 1990s, Barry's position in favor of capital movement was of its times. Before, in the era of "Bretton Woods," between World War II and the 1970s, international norms supported CFMs. Bretton Woods came tumbling down in the 1970s, and by the mid-1980s a new ideology had solidified in economic policy making: completely unrestricted global capital mobility, or "full capital account convertibility." The argument went, by channeling the world's savings to their best possible use in productive investments throughout the world, unrestricted global capital mobility promoted efficiency and economic growth to the benefit of all, including the world's poor. Some states kept CFMs on the books, but in state policies, treaties, and international governing norms the general trend toward

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Received: January 01, 2021; revised: June 12, 2021; accepted: July 28, 2021. First published online: September 20, 2021.

[1] The philosophical literature on finance has mostly focused on tax competition and sovereign debt (e.g., Dietsch 2015; Risse and Meyer 2019), questions in large part only orthogonally related to the ethics of capital mobility. Debates on tax competition, for instance, often assume global capital mobility. But even if everyone was forced to pay taxes in their country of membership, speculative capital mobility would endure. More recently, philosophers have written on financial flows and global reserve currencies (Herzog 2019; James 2012, Ch. 8; Reddy 2003; Wiedenbrüg 2021; Wollner 2014). Our approach differs from the existing literature in significant respects. First, we develop a pluralistic account that assigns different levels of protection to the free exercise of different kinds of capital movements. Second, our justification for limits on speculative movements is based not only on considerations of justice (Wollner) or freedom from domination (Herzog) but also on a less demanding principle of international assistance. Third, and most importantly, our institutional proposal goes beyond a Tobin tax (Wollner) and capital flow management measures (proposed, on different grounds, by James) and includes the creation of a global currency. Finally, we integrate our normative account with a Keynes-inspired economic analysis, focusing on the relationships among savings, credit, and investment in global finance, to explain why unrestricted capital mobility does not lead to beneficial economic development.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

unrestricted global capital mobility in the late twentieth century was clear.

The global financial crisis of 2008 brought reconsideration, as new economics research called into question the merits of unrestricted global capital mobility (Kose, Prasad, and Rogoff 2009). In a departure, in 2012 the International Monetary Fund (IMF) approved temporary "crisis" CFMs by its member states (IMF 2012). Still, global capital mobility only intensified (IMF 2020). Today, trillions of dollars cross borders at digital speeds. If challenged—in 2020 the IMF began to consider the merits of long-lasting, preemptive CFMs—unrestricted capital mobility remains the general governing norm of the U.S. dollar-dominated global financial system (IMF 2020).

In this article, our first objective is to assess when and why the global mobility of capital ought or ought not to be restricted. We begin by investigating whether there is any strong moral presumption in favor of the free movement of capital. We ask whether an individual right to the free movement of capital across either national residency or national currency borders,[2] if any such right exists, should count as a basic liberty—a claim right, held against states, with a very strong presumption in favor of its protection. While we argue that there is no *general* basic liberty to free capital mobility, we identify a set of *specific* basic liberties. We suggest that different human interests in (i) a secure, long-term horizon of action; (ii) the fulfilment of humanitarian obligations; and (iii) physical mobility, may justify treating free capital movement as a basic liberty in some cases, and for certain uses only. This implies that different kinds of capital movement, insofar as they serve different interests, should enjoy different kinds of presumptions in favor of their protection.

Crucial to our argument is a pluralistic account of capital mobility, which distinguishes between different kinds of transactions, something that arguments in support of unrestricted global capital mobility, as well as arguments in favor of restriction, rarely do. In particular, we distinguish between short-term, speculative movements of finance capital across borders—also known as "hot money"—and long-term, cross-border investments that generally establish a more durable and fixed interest, whether economic or affective, in their objects.[3] On the basis of this distinction, we argue that only the freedom to engage in certain nonspeculative capital transfers—those securing basic liberty-protected interests—enjoy a strong presumption in their favor such that states can permissibly restrict them only when this is necessary to avoid very severe costs. By contrast, states can permissibly restrict all other forms of capital movement, by simply showing they have a rational basis for doing so.

Building on the above account, and incorporating the economics of global finance, we turn to develop a normative case for restricting speculative capital movements. We argue that states are not simply permitted but also pro tanto required to impose restrictive capital controls on both inflows and outflows of hot money, at times even if doing so would not maximize the socioeconomic position of their own worst-off group of citizens. Such restrictions can be justified not only on grounds of global egalitarian justice but also, more modestly, as requirements of international assistance.[4] By contrast, states may have good reasons to enable certain kinds of productive long-term investment, above and beyond basic liberty-protected movements of capital (e.g., remittances). We further argue that, even if states retain the legitimate authority to determine their own capital mobility policy, free from coercive external intervention, international governing bodies, such as the IMF, have strong pro tanto reasons to make some of the benefits attached to their membership conditional on states exercising that authority justly.

Finally, we propose a radical reform of the global financial system. While our case for limits justifies CFMs, we argue these are not sufficient. We suggest, on instrumental grounds, complementing CFMs with the creation of a new de jure global hegemonic currency to replace the U.S. dollar, currently the de facto global hegemonic currency. On one hand, a global currency would improve the effectiveness of independently justified restrictions on speculative capital movements. On the other hand, a properly designed global currency would better enable those forms of nonspeculative capital movement that deserve protection.

DISAGGREGATING FREEDOM OF CAPITAL MOVEMENT

To assess when restrictions on capital movement are justified, we must first assess how strong the

[2] Cross-border capital transactions take many forms (Batini and Durand 2020). Either *residency* status or *currency* exchange, or both may be at stake. For instance, an immigrant resident of the United States may send a remittance back to a resident of their home country, Mexico, involving a currency exchange between U.S. dollars and Mexican pesos—crossing both a residency and currency border. In another example, two London-resident financiers may trade U.S. dollars and Mexican pesos—crossing a currency border only. Still yet, a company in Mexico might borrow capital in U.S. dollars from a London-resident bank—crossing a residency border only.

[3] We grant that the distinction between short and long term is contestable, as well as always context sensitive. In finance, the relevant distinction has often been made between "portfolio" and "foreign direct investment," although recently new "market-based" forms of finance have blurred that technical difference (Borio 2016; Carney 2019). Still, the normative and economic relevance of distinguishing short from long term is essential, and regardless of where one draws the line between these two zones of investment (an important issue outside the scope of this article), our argument throughout leads to the conclusion that it must be drawn somewhere.

[4] We develop our account within the framework of liberal-egalitarian theories of global justice not simply because this framework remains widely shared, although by no means unchallenged, but also because liberal-egalitarianism is often used to justify the liberalization of movement, whether this be of people (Carens 2013) or capital (Barry 1992). By contrast, our purpose is to show that liberal-egalitarianism, compatibly with our economic analysis, itself supports strong limits to specific kinds of capital movement.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

presumption, if any, in favor of the free movement of capital is. This requires assessing whether free capital mobility should ever be understood as a basic liberty. Basic liberties, unlike more trivial liberties, are grounded on particularly fundamental interests, such that their restriction must meet a high burden of justification. It is often argued that basic liberties can only be restricted for the sake of preserving other basic liberties and, more arguably, for guaranteeing a social minimum to all (Rawls 1971). Other socioeconomic gains, including better opportunities or reduced inequalities, are generally not sufficient to restrict a basic liberty.

Perhaps, only libertarians would defend a basic liberty to the free movement of capital. Because few these days endorse libertarian accounts of property rights, asking whether freedom of capital movement should be treated as basic may seem unnecessary. However, a case can be made that there are strong liberal-egalitarian reasons to treat freedom of capital movement as basic. By showing the limits of this view, we will partly build the case for our *pluralistic* view.

It has been argued (Tomasi 2012, 76) that the same reasons why liberal-egalitarians treat certain economic liberties as basic, including the right to hold personal property, also justify regarding as basic other economic freedoms, such as the right to decide where to invest one's property (including, presumably, across a currency border). For liberal-egalitarians (e.g., Rawls, 1996, 292–3) a liberty qualifies as basic only if it is necessary for individuals to adequately develop and fully exercise at least one of two "moral powers": (i) the capacity for forming, developing and revising a conception of the good over time, which we may call "the capacity for personal self-determination" and (ii) the capacity for a sense of justice. Therefore, the liberal-egalitarian argument for attributing basic status to free capital mobility would need to show that such freedom is generally necessary for the development and exercise of at least one of the moral powers.

So understood, the liberal-egalitarian argument sounds implausible. Even assuming, arguendo, that a broad set of economic liberties is necessary for the full exercise of the two moral powers, it is difficult to see how free capital movement is generally necessary to that end. After all, an *adequate*, rather than maximally expansive, set of domestic opportunities for ownership, self-employment, and investment would seem more than sufficient to secure the two moral powers.[5] Call this *the problem of superfluity* (see also Patten 2014).

Recently, however, some liberal-egalitarians (Oberman 2016; Stilz 2017) have argued that a merely adequate range of options for choice is insufficient to fully secure the capacity for personal self-determination, for it is often insufficient to enable individuals to successfully pursue their existing commitments (and perhaps also to explore new ones). Consider, for example, someone who believes in a religion that is not represented in her own country A and wishes to move to country B, in order to practice it. Telling that person that A already provides plenty of religious options seems unsatisfactory (Oberman 2016, 43–4). Denying that person the freedom to move to B would undermine the full exercise of her self-determination. On these grounds, some (Oberman 2016) have argued for conferring basic status to free international human movement, but it seems that the same argument could be extended, at least presumptively, to global capital movement as well. One could say that, insofar as many people today engage in global financial transactions as an important part of their chosen life plans, freedom of capital movement should be regarded as basic to the extent that it makes possible the successful pursuit of those plans.

However, not everything that is contingently necessary for the successful realization of all specific life plans deserves protection as a basic liberty. Individuals have a strong interest in maintaining the ability to cultivate their family attachments and religious commitments, but arguably not an equally strong interest in being able to satisfy, say, their culinary preferences (Miller 2016). The above argument is thus stronger when limited to the opportunity to pursue life plans that structure individuals' lives in a comprehensive way and/or have a nonnegotiable or obligatory character (Stilz 2017). However, limiting the global range of investment options at the disposal of individuals would not generally compromise commitments of this kind. Financial pursuits tend to have a less comprehensive and more substitutable character than affective or religious pursuits.[6] Call this the *problem of negotiability.*

There is more. Recognizing free capital mobility as basic may undermine, rather than secure, the capacity for personal self-determination. This capacity requires that individuals be able to exercise certain liberties—freedom of movement, association, religion, etc.—and to maintain a secure sense of their own worth. To this end, individuals need a basic floor of social and material resources: a social minimum. Yet, to confer basic status to investors' freedom of global capital mobility may—by encouraging capital flight—undermine a state's

[5] True, in the real world, many states often lack the capacity to secure an adequate set of domestic opportunities for saving and investment, where what is owned or invested does not significantly depreciate over time. For example, savings in the currencies of countries where hyperinflation is recurrent fail to provide individuals with adequate means to plan long term. To fully account for this fact, we later make the case for a pro tanto claim right to engage in the free movement of capital whenever necessary to protect one's temporal horizon of action. This right, however, amounts to a specific rather than general basic liberty.

[6] It could be argued (Oberman 2016) that people have an interest, grounded in conscience, in exploring new pursuits, beyond an interest in cultivating already existing ones. Economic investments, however, unlike direct personal engagements, are arguably insufficient means for the kind of exploration that conscience requires. But would it not be possible to imagine a society in which maximum financial profit-making has become a sort of religion? Would not economic investments then count as nonnegotiable pursuits? Our view is that the priority of the right over the good constrains the range of pursuits that individuals can reasonably expect a society to treat as nonnegotiable.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

capacity to secure a social minimum (a problem discussed in detail later). Call this *the problem of compatibility* (see also Patten 2014, 369).

Because of the problems of superfluity, negotiability, and compatibility, liberal-egalitarians have strong reasons not to include freedom of capital movement among the basic liberties.

But perhaps free capital mobility should be granted basic status not because of the way in which it directly serves an individual interest in personal self-determination but rather because of what the general recognition of this freedom as a basic liberty would enable *states* to do, thereby indirectly serving important individual and social interests. Minimally, having access to foreign currency inflows makes it easier for states to resist international financial pressures, which might undermine the ability of these states to maintain the international value of their currencies within a certain range, as well as to determine their domestic interest rates. Without that ability, states may be forced to lower or raise domestic interest rates, with potentially undesirable consequences for domestic credit creation, as lowering interest rates could release too much credit into the financial system than is desired, while raising them could release not enough.

This argument is plausible but ultimately unconvincing. Insofar as the promise of expanded economic opportunities, including those made possible by credit creation, is not generally sufficient to justify restricting a basic liberty, this same promise cannot be what justifies conferring basic status to a liberty to begin with. One would need to prove that, in the absence of unrestricted global capital mobility, states would generally lack the ability to secure more fundamental benefits, such as the provision of a social minimum. However, this claim is unconvincing, partly for the reasons briefly mentioned in our discussion of the problem of compatibility and partly because, as the next section will explain, many of the international pressures that demand that states seek recourse to foreign capital are only made worse by unrestricted capital mobility.[7]

The fact that there is no *general* basic liberty to free capital movement, however, does not mean that there is no *specific* basic liberty either, as we now turn to argue.

The Pluralistic View

The right to move one's capital is one aspect of a broader right to possess and control one's property. This right gives to owners the authority to control the use of certain goods, for an extended period. What is often taken to justify the state attribution of such authority to individuals is an individual interest in having a secure and temporally extended horizon of action, which is in turn grounded in a more fundamental interest in personal self-determination (e.g., Beitz 2018, 430; Dagan 2019).

This same interest, we believe, provides equally strong reasons in favor of empowering individuals, up to an extent, to store the value of their property over time in a currency different from their national one, at least under certain conditions. Here, it is important to keep in mind that money is not only a means of exchange, but also a store of value. Without access to a secure store of value over time, income and wealth as such would be insufficient to protect individuals' ability to plan long term against unexpected changes in circumstances. In our view, states have a duty, grounded on justice, to provide citizens with a stable enough currency in which to store a minimal amount of property so that they can form stable expectations over time. Yet, if a state lacks the capacity to stabilize the value of its currency and to reasonably protect its citizens' savings, then there are at least prima facie reasons to confer basic status to a person's freedom to convert at least a part of her property into a different currency. Under these circumstances, freedom of capital movement becomes necessary for the exercise of personal self-determination. The problem of superfluity is thus overcome.

However, one reason why a state may lack the capacity to prevent its currency from suffering sudden, devastating devaluations is the threat of global capital flight—individuals or corporations rapidly moving wealth abroad to minimize losses (or maximize profits). In consideration of the problem of compatibility, these costs should set limits to the extent to which we can regard freedom of capital movement as a basic liberty, on grounds of an interest in securing a long-term horizon of action for self-determination. All this interest can justify, then, is a context-sensitive and content-dependent liberty—the liberty to move money (i) up to a limited threshold and (ii) for a specific (nonspeculative) purpose (iii) when credible threats of significant economic instability arise.

We saw earlier that when a liberty is generally necessary for the successful realization of conceptions of the good that have a nonnegotiable character there are strong, pro tanto reasons to grant basic status to it. One reason, among others, is that individuals have a strong interest in being able to honor their moral or religious obligations (Rawls 1971). It follows that there are strong reasons to regard freedom of capital movement as a basic liberty to the extent that this is necessary to protect individuals' ability to discharge their humanitarian obligations. This justification, by overcoming the problem of negotiability, grounds a second content-specific pro tanto claim right to freely engage in humanitarian transfers, including remittances—which, before the COVID-19 pandemic, accounted for the largest share of capital inflows to developing economies (Cocco et al. 2019).

Finally, the freedom to move one's property across the borders of national currencies can be instrumentally necessary to support international human

[7] We do not deny that in some emergency situations states may be unable to secure fundamental benefits for their populations, especially their worst-off, without external financing. Our point is simply that this fact does not suffice to justify a general basic liberty to the unrestricted movement of capital.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

movement. It follows that, *if* there is a basic liberty to free international human movement then, to the extent that free capital mobility is necessary to exercise human mobility it should also be regarded as basic. Of course, the success of this justification depends on the extent to which free international human mobility is itself a basic liberty—a contentious issue (e.g., Miller 2016; Oberman 2016). If successful, this justification would ground a third specific basic liberty, which would cover only some movements of capital. For example, it may protect the interest in buying a home for individuals who spend prolonged amounts of time in a foreign country but not the interest in buying real estate abroad for speculative purposes. Further, short-term speculation would clearly not be protected by this liberty.

In sum, although there is no general basic liberty of free capital movement, there are some context-sensitive and content-specific basic liberties to engage in the free movement of capital to the extent that this is necessary to (i) protect one's temporal horizon of action; (ii) discharge humanitarian obligations; and (more arguably), (iii) support international physical mobility. When these movements of capital are at stake, states can only permissibly restrict them, if it can be shown that doing so is necessary to avoid very severe costs.

None of the above rationales, however, ground a basic liberty to engage in short-term financial speculation, or even most long-term investments, however productive. This is not to say that there is *no* presumption in favor of such transactions, as even the most trivial liberties may arguably enjoy some presumption in favor of their free exercise. It is however to say that most cross-border capital transactions can be permissibly restricted by simply showing that there is a sound rational basis for doing so. So we can now turn to ask, "Do states have sufficiently good reasons to restrict such transactions?"

THE CASE FOR LIMITS

This section seeks to show that states have strong reasons of both global distributive justice and international assistance to limit global capital mobility, specifically to the extent that speculative capital flows are concerned. Insofar as such flows are not protected by a basic liberty, states are morally required, at least pro tanto, to limit them.[8]

Our main target is the "full capital account convertibility" view (FCAC), promoting unrestricted global capital mobility. FCAC argues that capital mobility should be unrestricted because the fully free global movement of capital is necessary to achieve the most efficient allocation of savings into its most productive uses through investment, thus increasing economic growth and welfare and ultimately benefiting everyone, including the global economic worst-off.

To make the case that global capital mobility should be restricted (at least to a large extent) on grounds of justice, we first need an account of what global justice demands. There is a long-standing debate among political philosophers as to whether the demands of liberal-egalitarian justice apply globally (e.g., Valentini 2011). Many see the answer as resting on whether the current system of international institutions shares with "the basic structure" of domestic societies (Rawls, 1971)—their main political, social, and economic institutions—some significant features including their coerciveness, nonvoluntariness, and pervasive effects on people's lives. Institutional global egalitarians (e.g., Beitz 1999) argue that, insofar as international institutions share with domestic institutions all or some of the above properties (although perhaps to a different extent), their existence, in order to be just, must be justifiable to all those subject to it, including the global worst-off. This demand for justification in turn can only be met if these institutions are organized according to egalitarian principles.

We cannot provide here a defense of global egalitarianism. We limit ourselves to a fairly uncontroversial assumption: *if* there is any such thing as the international equivalent, normatively speaking, of a domestic basic structure, then the global financial system, including the rules governing international financial transactions, is core to it.[9] On the basis of this assumption, we will argue for a conditional thesis: *if* global egalitarianism is true, significant restrictions ought to be imposed on the free global movement of capital. We will afterward turn to assess what happens if global egalitarianism is false and principles of international justice should be limited to more modest demands.

The Global Egalitarian Case

From the perspective of global egalitarianism, given that, as we argued, there is no *general* basic liberty to the free movement of capital, unrestricted global capital mobility could only be justified if it meets a relevant counterfactual test: the global worst-off is better off under this system than under any alternative, feasible global economy that restricts, at least partially, capital inflows and outflows. Further, an economic system that, compared with alternatives, benefits the worst-off in

[8] We say "pro tanto" because whether states have a conclusive duty to do so may, in some circumstances, depend on whether other states comply with their own duties.

[9] Wollner (2014, 469–70) argues that insofar as "the impact of the domestic basic structure on individual interests is much more pervasive, and state coercion much more direct, than analogous phenomena within the international financial system," then "justifiability to each in the context of international finance does not trigger a demand for comprehensive social justice." We believe a plausible case could be made for equating the adverse effects and coerciveness of the international financial system to the one of the domestic basic structure. As our economic analysis will make clear, the effects of the former on individual socioeconomic interests can be pervasive and profound. Furthermore, states' ability to effectively coerce their citizens (e.g., to secure a tax basis) and the ability of citizens to collectively control, through political self-determination, the exercise of state coercion, are dependent on the international financial system.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

absolute terms, may still be unjustifiable if it generates gross relative inequalities. By "gross" we mean inequalities that are large enough to threaten lexically prior demands, such as the fair value of political liberties, or the social bases of self-respect, or the demands of fair equality of opportunity, assuming that at least some of these demands can be extended to the global level and that alternative systems could generate significantly fewer inequalities.[10]

In order for a system of unrestricted capital mobility to pass this test, the following must then be true. Comparatively speaking,

1. Unrestricted capital mobility benefits the global worst-off in absolute terms. This means that the overall costs of this system for the global worst-off either do not outweigh its benefits, or, if they do, they can and will be compensated.[11]
2. Unrestricted capital mobility does not generate gross relative inequalities.
3. Even if free global capital mobility does not improve the position of the worst-off and even if it generates gross relative inequalities, restrictions on capital movement are not feasible.

Starting with condition (1), we must first assess the presumptive benefits of a regime of unrestricted mobility for the global worst-off, before turning to its costs. Here the relevant question is not only whether such benefits occur but also whether the regime in question is necessary to produce such benefits.

Supporters of FCAC attribute significant benefits to unrestricted capital mobility. The case was succinctly stated by the economist Stanley Fischer in the late 1990s, back when the IMF was urging for FCAC. Fischer, then First Deputy Managing Director of the IMF, said,

> Put abstractly, free capital movements facilitate a more efficient allocation of savings, and help channel resources into their most productive uses, thus increasing economic growth and welfare. From the individual country's perspective, the benefits take the form of increases in … the potential pool of investable funds… . From the viewpoint of the international economy, open capital accounts support the multilateral trading system… . International capital flows have expanded the opportunities for portfolio diversification, and thereby provided investors with a potential to achieve higher risk-adjusted rates of return. (Fischer 1997)

At its core, the theoretical argument is that the savings of rich countries can uniquely supply scarce investment funds in poor countries. Because poor countries, being poor, have little savings, state restrictions that block their access to foreign investment inhibit their growth and development, disadvantaging the global worst-off. Meanwhile, already rich countries, all things being equal, lack at home the profitable investment opportunities that can be found in poor nations. FCAC claims that if capital mobility is unrestricted—this position does not distinguish between types of capital movement—then the savings of the rich will flow, like water, to those poor regions of the world that need productive capital the most. From these investments, in turn, economic growth occurs, overall welfare increases, and global poverty reduces.

The argument is coherent. Surely, the savings of the rich may channel into productive investments that benefit the poor. That can, and has, happened. But to theoretically assume that this is a necessary relationship is problematic.

To see why, it is important to disaggregate forms of capital, something FCAC, abstracting from money altogether, does not do. As an institution, money can contradictorily both enable and undermine welfare-enhancing investment (Levy 2021; Meade 1975). For one, savings that exist in the form of cash do not have to be productively invested; they can be hoarded as idle, unproductive funds. Second, savings can be invested speculatively in liquid securities in pursuit of momentary returns that do not necessarily benefit production and growth. For welfare-enhancing development, long-term productive investment is necessary. As John Maynard Keynes argued, the more productive investment there is in an economy, the wealthier it becomes, and therefore the more it saves. Investment leads to savings as much as savings leads to investment; a dog called "investment" wags a tail called "savings," not the other way around as FCAC presumes (Meade 1975).[12] The main issue then is how developing economies can increase their rate of productive investment. Someone somewhere saving money alone does not do the trick.

What does? The answer is a well-functioning banking and credit system. Further undermining FCAC, it is notable that the source of credit for productive investment need not be past savings. Indeed, today global credit creation—and thus global investment—runs through channels that exist independently from savings (Borio 2016). When banks grant loans, generating

[10] According to Rawls (1971), these demands should constrain, at the domestic level, the range of permissible inequalities. To be fair, not all global egalitarians (and definitely not Rawls himself) defend the extension of Rawls' complete view of domestic justice to the global level, but some (e.g., Beitz 1999) argue for a close analogy between the domestic basic structure and international institutions that logically points toward that direction (see also footnote 9 above), and others defend the extension of a principle of fair equality of opportunity to the global level (e.g., Caney 2001).

[11] As stated, this requirement is incomplete. Even if the benefits outweigh the costs, the imposition of such costs may still be unjustified if (i) one could achieve those same benefits in a less costly way or (ii) the imposition of costs is impermissible to begin with (e.g., because it violates basic rights). We however leave this further complexity aside: insofar as our argument shows that a regime of unrestricted capital mobility does not meet condition (1) even under the assumption that the imposition of its costs on the worst-off is prima facie permissible, that same argument a fortiori would rule out the regime in question if it turned out that the imposition of costs was impermissible to begin with.

[12] Notably, Keynes argued that savings and investment balance at the level of output, not at the market price of the interest rate, as FCAC proponents typically presume.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

funds that often cross borders, they do not always directly draw from depositors' savings somewhere in the world. Rather, they simply create new deposits, funded through chains of debt instruments. In theory, then, access to foreign savings offers nothing that a well-functioning national, regional, or even global system of credit creation cannot. Call this *the investment-from-savings theoretical fallacy.*

True, in some circumstances poor countries with inadequate domestic financial systems may immediately benefit from tapping foreign savings. But this comes with a long-term cost. Dependence on foreign inflows may only contribute to the persistence of an inadequate domestic financial system (IMF 2020). Regardless, as we shall see, due to capital flight the costs of unrestricted global capital mobility can be high, chipping away at benefits.

Furthermore, empirically speaking, as the broad policy turn in much of the world toward FCAC after 1980, no irrefutable correlation between economic growth and unrestricted global capital mobility exists (Obstfeld 2009). Still, the global egalitarian test concerns not rates of growth but the position of the global worst-off; here the picture is more complicated. Since 1980, the bottom 10% of the global income distribution has enjoyed a higher rate of growth than the distribution in the ranges between 45% and 99%, even if at the same time the top 1% has captured 27% of all growth (Alvaredo et al. 2018). These numbers reflect the rise of national economic inequality, and also of global inequality, given the prodigious expansion of top incomes everywhere, but they also capture the fact that global economic deprivation, in absolute terms, has reduced. This suggests a plausible case that the global worst-off may have benefited from recent global economic integration.

But what kind of integration? Of FCAC, Fischer said, "open capital accounts support the multilateral trading system." Indeed, they can support it, but that does not mean they are *necessary* to, let alone the best way to (an issue discussed further in the final section on global currency reform). One reason for the reduction of global economic inequality since 1980 is the rapid economic development of, and reduction of deprivation in, China and India (Alvaredo et al. 2018). Led by manufacturing exports, Chinese development has depended upon foreign demand for goods and a multilateral system of world trade. Yet, the Chinese state has maintained many CFMs and has only recently moderately liberalized its capital account (Lin 2015).[13] Unrestricted capital mobility is arguably not necessary to bring about the benefits for the worst-off, such as they exist, of international trade (or even of international capital mobility, such as they exist). Call this *the liberalization-to-poverty-reduction empirical fallacy.*

If the *investment-from-savings theoretical fallacy* shows that unrestricted capital mobility does not always lead to productive investments being directed where there is more need, and even if it did, the resulting benefits could be acquired through other, less costly means, then the *liberalization-to-poverty-reduction empirical fallacy* suggests that the era of globalization since 1980 has created tangible benefits for the global worst-off, but that this cannot be easily attributed to the general trend toward unrestricted global capital mobility.

Having addressed benefits, we should turn to costs. Ironically enough, these were becoming apparent during Fischer's 1997 remarks, given in Hong Kong. Over the 1990s, foreign investment facilitated East Asian economic growth. It turned out, however, that prodigious inflows of hot money had advanced widespread corruption in finance (benefiting elites), warping domestic credit systems, while rapidly inflating asset values, ranging from real estate to currencies. In 1997, foreign investors rapidly pulled hot money out of East Asia. In a vicious cycle, capital flight ensued, and many economies experienced a proverbial "sudden stop" (Calvo 1998). Domestic currencies tumbled in value, making it difficult to repay loans denominated in foreign currencies. Economic development stunted, with the socioeconomic costs born disproportionally by the worst-off in the afflicted East Asian countries.

The 1997–98 East Asian financial crisis, which boomeranged across the world, initiated—even before the financial crisis of 2008—a revaluation of FCAC, which recent theoretical and empirical studies have further questioned.[14] One leading study estimates that one fifth of capital inflow surges to "emerging market economies" have resulted in destabilizing financial crises. Such economies are three times more likely to suffer financial crises after large capital inflow surges. The typical emerging market economy experiencing high capital volatility grows 0.7 percentage points slower than it otherwise would (Ghosh, Ostry, and Qureshi 2016). Call these the costs of *financial destabilization.* Importantly, for the global egalitarian test, there is no obvious way through which global investors, when initiating these disruptions, could compensate those who suffer the consequences of capital flight, which FCAC makes possible.

Additionally, the policy tools that states must employ in order to cope with capital flight undermine economic development. To either prevent capital flight or to recruit fickle hot money once capital flight has begun, states often raise the interest rate they pay to depositors willing to hold their currencies. Interest rate hikes only choke off the supply of domestic credit, hampering investment, growth, and employment (Rodrik and Subramanian 2009). Call this the cost of *forgone economic development.*

There is a final cost to unrestricted capital mobility. After the East Asian Financial Crisis, many developing economies recognized the threat of capital flight. They began to hoard enormous reserves of "foreign exchange"—currencies or assets denominated in

[13] This remains true, despite the enormous volume of securities-based foreign investments that enter China via tax havens (Coppola et al. 2021).

[14] A recent meta-analysis includes references to this budding literature. See Magud, Reinhart, and Rogoff (2018).

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

foreign currencies, like, say, U.S. public debt (Dominguez, Yuko, and Ito 2012).[15] In the event hot money destabilizes the value of national currencies, and thus economies, state officials use their foreign exchange reserves in open markets to stabilize their currency values. The mere possession of reserves may deter capital flight, while holding these reserves means states need not raise domestic interest to cope with capital flight, preserving monetary policy autonomy.

However, the hoarding of foreign exchange reserves entails significant costs (Herzog 2019). This is a perfect example of savings not leading to productive investment. As unspent idle funds, hoarded reserves are not spent on critical needs. Deflationary, they depress global interest rates and undermine global aggregate demand for the world's goods (further imposing costs on the global worst-off, whose potential employment incomes often depend upon that demand). Some argue these reserves act as self-insurance, securing the benefits of unrestricted capital mobility (Obstfeld, Shambaugh, and Taylor 2010). But as we have argued, the unique benefits of such mobility are doubtful anyway. Call this the *opportunity costs of hoarding reserves.*

In sum, not only are the benefits of unrestricted global capital mobility for the global worst-off doubtful; a regime of unrestricted mobility also imposes severe costs (beyond the *risks* of costs imposition, which is itself a cost) on developing economies—costs that, given their character, cannot be fully compensated ex post and that further undermine the socioeconomic position of the global worst-off. Such a system thus fails to meet condition (1) of the egalitarian test.

What about condition (2)? Economics research on the relationship between global capital mobility and inequality remains rudimentary. But recent studies (Furceri, Loungaini, and Ostry 2019) suggest that the turn toward unrestricted capital mobility has contributed toward increasing inequality, with capital mobility benefiting the wealthy much more than the poor in both affluent and developing countries. Therefore, even if (arguendo) unrestricted capital mobility benefited the global worst-off in absolute terms, it may still be unjustifiable on egalitarian grounds, as the relative inequalities it produces may threaten lexically prior values.[16]

Thus, a regime of unrestricted global capital mobility fails to meet the global egalitarian test.[17] Assuming for the moment that condition (3) is also unmet—we discuss possible restrictions of capital movement later—global egalitarianism imposes on both developing and affluent countries a pro tanto duty to limit, up to a threshold, both outflows and inflows of speculative capital to the extent that these limits are necessary to protect developing economies, where the global worst-off are likely to reside, from the costs of financial destabilization, forgone economic development, and the opportunity costs of hoarding reserves. Affluent countries are required to restrict speculative movements of capital, even if doing so would fail to maximize the position of their domestic worst-off, insofar as, from the perspective of global egalitarianism, the interests of the global worst-off, who are unlikely to reside in those countries, should have priority. We say "up to a threshold" because, in the case of imminent capital flight, the imposition of such limits is constrained by individuals' basic liberty to move a limited part of their savings, so as to secure their long-term horizons of action.

But can we arrive at similar conclusions without endorsing an egalitarian account of the demands of international justice?

The Liberal Internationalist Case

Many of those who reject global egalitarianism tend to adopt a more modest form of liberal internationalism.[18] According to liberal internationalism (Rawls 1999), international arrangements should not be set up so as to secure global distributive justice. They should rather limit themselves to enable all states to maintain sufficient institutional capacities to secure at least basic justice domestically. This requires, among other things, an intrastate system of international assistance.

The principle of assistance requires affluent states to help "burdened" societies—societies that lack the capacities to maintain the conditions of legitimate government and of basic justice domestically—acquire the relevant institutional capacities. The principle is sufficientarian, for once adequate institutional capacities have been achieved, no further assistance is required.

Importantly, duties of assistance are regarded as prior to, and constraining the application of, domestic principles of distributive justice.[19] This means that although affluent states have a duty of justice to maximize the position of their domestic worst-off group alone, before doing so they must first meet the demands of international assistance.

To see why liberal internationalism calls for the imposition of limits on the free movement of capital, and to what extent, two considerations are in order.

[15] There was also a related turn to flexible exchange rates, defended by foreign currency reserve accumulations.

[16] We say "may" because the resulting inequalities could be, in principle, readjusted through global redistribution. However, if our overall argument is correct, those inequalities are not necessary to improve the position of the global worst-off to begin with.

[17] It could be argued that in an ideal world governed by global egalitarian principles, the distribution of capital would be much more equal to begin with and unrestricted capital mobility would not be a problem. However, equalizing the global distribution of capital would require international redistributive institutions that do not currently exist. Furthermore, even against a more equal distributive background, speculation and some of its aggregative effects, including sudden financial destabilization, may still endure.

[18] Of course, these are not the only theories of international justice. The main conclusion we support on liberal internationalist grounds could arguably also be supported from other perspectives, including a neorepublican perspective (e.g., Laborde 2010) that sees international institutions as means to sustain the ability of states to secure nondomination internally and to prevent interstate domination.

[19] Such priority is implied by the comparison Rawls makes between the duty of assistance and the principle of just savings (Freeman 2006, 248). There are, however, limits to such priority. A state must first secure basic justice domestically, before prioritizing assisting other states.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

First, the principle of assistance does not directly specify the appropriate means of assistance. Assistance can come in different forms: financial or human capital, as well as, in principle, other forms of institutional action. In practice, the principle requires that nonburdened states adopt what, depending on circumstances, are the best means to achieve the goal of assistance.

Second, if the goal of international assistance is to make sure that states maintain over time sufficient institutional capacities to secure basic justice domestically, then, by its logic, this principle should require nonburdened states not only to assist already burdened states but also to exercise a reasonable level of care in (i) not foreseeably and avoidably contributing to the burdening of other states and (ii) helping states that are prone to becoming burdened to not regress to a burdened state. Call these *the precautionary demands of assistance.*

Further to our previous discussion of the costs of free capital mobility, it should be clear how liberal internationalism grounds, in opposition to the FCAC view, a pro tanto case for limits to unrestricted global capital mobility. Recall that in poorer countries especially, capital flight of hot money is one of the major causes of national financial crises (what we called the cost of *financial destabilization*). Next, dependence upon foreign inflows is arguably a source of the domestic underdevelopment of national monetary and credit systems (the cost of *forgone economic development).* These, in turn, are sources of institutional instability for many countries. Finally, unrestricted, and often unmonitored, global capital mobility contributes to international tax avoidance, undermining national tax bases and thus the ability of states to fulfill the demands of even basic domestic justice (Coppola et al. 2021; Zucman 2016).

Given these facts, liberal internationalism requires all states, whether burdened or not, to limit both inflows and outflows of capital, up to a threshold, to the extent that doing so is necessary for them to prevent the internally destabilizing and justice-undermining effects of unrestricted global capital mobility. This is a demand of basic domestic justice. Yet, liberal internationalism also imposes on affluent countries alone specific pro tanto duties of assistance to limit the movement of capital. Consider the case of developing countries facing a threat of capital flight. Insofar as these countries often lack the institutional capacities to impose effective restrictions on investors' ability *to leave*, their attempt to restrict outflows must be coupled with limits on investors' ability *to enter* safer countries. Affluent countries thus acquire, as a precautionary demand of assistance, a pro tanto duty to limit capital *inflows* in order to prevent the flight of capital from developing countries. Only in this way can they prevent developing countries from regressing to a burdened state or becoming even more burdened than they already are. To the extent that international assistance is lexically prior to domestic distributive justice, it follows that wealthy countries ought to adopt such limits, even if these restrictions would make their domestic group of worst-off citizens worse off (within limits) than they would be in a state of affairs without those limits.

Altogether, *pace* the FCAC view, both global egalitarianism and liberal internationalism call for the imposition of potentially very significant limits on unrestricted global capital mobility.[20] Although states have no entitlement to restrict, at least not on grounds of distributive justice alone, a limited set of capital transactions, including remittances, because these are protected by specific basic liberties, they have a pro tanto duty to impose strict limits on other forms of capital movement, especially speculative transactions.

It could be argued that our case for limiting the movement of capital does not take seriously the prerogative of states to decide on their economic policy. After all, one can agree that capital mobility policies can impose significant costs on others and still argue that a state has the right to control the shape of such policies.

Our response depends on how the idea of a state prerogative is understood. If by prerogative is meant a state *legitimate authority* to establish, without external interference, its own capital mobility policy, our account does not deny, although it does not affirm either, that states have any such authority.[21] Rather, we simply provide substantive principles to assess when the exercise of that authority counts as unjust. But note that, even if one assumes that states should not be forcibly coerced to change their policies, however unjust, one can still agree that states' unjust choices should not be rewarded either. Our argument thus provides pro tanto reasons to make at least some of the benefits that come with state membership in international organizations conditional on states exercising their authority in a just way—including being willing to duly restrict the mobility of capital.[22]

If, by contrast, by a state prerogative is meant a state's moral right, grounded on self-determination, to have a free hand in adopting whatever capital mobility policies it sees fit, then we reject the argument that states have any such unlimited moral right (see also Reddy 2003). For one thing, the rights of states are generally limited by the fundamental claims of both citizens and foreigners. In the same way in which, say, the right of states to control their territorial borders, if

[20] Global egalitarianism justifies more extensive limits than liberal internationalism. For the former, affluent countries are required to impose such limits not only when necessary to protect developing countries from financial and political destabilization but also when necessary to support economic development in those countries in order to improve the situation of their domestic worst-off.

[21] The enforcement of legally binding constraints on state economic policies would require a global institution with the legitimate authority to impose those constraints on all states. No such institution exists currently.

[22] The reasons of justice in favor of imposing such conditions must be balanced against other considerations. For example, to the extent that international organizations could easily abuse such conditions to enhance the vested interested of their most powerful members, thereby perpetuating existing injustices, these conditions should not be introduced unless such abuses can be effectively prevented and a fair application of such conditions can be ensured.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

such right exists, is limited by the claims of refugees (e.g., Miller 2016), in a similar way, the state right to control the borders of their national currency is constrained by the basic liberties of individuals to move their property in and out of those borders for the protected purposes we previously illustrated. Furthermore, to the extent that basic principles of international justice are necessary to secure the background conditions for a system of politically self-determining, nondominated, and legitimate states, then such principles should be regarded as constraining the self-determination of those very states. This is something that even liberal internationalists, who accord central importance to political self-determination, should agree with (e.g., Rawls 1999).[23]

But what features should a policy for limiting the movement of capital have?

Implications for Capital Flow Management Measures

Despite the turn toward FCAC since 1980, several states have continued to employ restrictions on capital mobility. Typically, CFMs consist of either residency-based or currency-based taxes, bans, limits, or reserve requirements, categories within which policies take a dizzying number of forms (IMF 2019). Globally, implicating CFMs is a complex patchwork of bilateral and international treaties, as well as international governing codes (Kurtz 2016).[24] Uniformity is not the rule.

Nonetheless, the IMF's still current (at this writing) 2012 "Institutional View" on "The Liberalization and Management of Capital Flows," while only advisory to its 190 member states, is the nearest governing international standard on the justified use of CFMs (IMF 2020). The Institutional View stipulates the ideal of FCAC, even if admits that "full liberalization" is not an "appropriate goal for all countries at all times." For, CFMs can "be useful" to manage "rapid capital inflow surges or disruptive outflows." But this is true only "in crisis or imminent crisis" contexts. By contrast, we reject a presumption in favor of FCAC and see the use of CMF as a requirement of justice rather than as a reactive, discretionary tool. Departing from the 2012 IMF Institutional View, our argument suggests the following four desiderata that CFMs ideally should meet.[25]

First, there is the desideratum of *targeted application.* CFMs should take seriously the difference in kinds of capital movements. Some (e.g., remittances) are protected by a basic liberty and should thus not be subject to restrictive limits, except in exceptional circumstances. Others (e.g., productive long-term investments) are not, but states may have good economic reasons not to restrict them. Finally, there are grounds of justice to restrict short-term, speculative transactions that undermine economic development and/or lead to financial destabilization.

Second, there is *the desideratum of noninvasiveness.* Other things being equal, CFMs should take the least invasive form (e.g., taxes should be preferred over bans). Even though unproductive speculation—like eating ice cream or Casino gambling—is not protected as a basic liberty, it still is a (trivial) liberty that should not be restricted without a rational basis for doing so.

Third, there is *the permanency desideratum.* Unlike the IMF's 2012 Institutional View, which recommends that temporary CFMs be applied in response to crises, our argument justifies CFMs that permanently target hot money—a policy the IMF is actively discussing adopting for its updated 2021 Institutional View (IMF 2020).

Finally, there is *the coordination desideratum.* States acting independently cannot fulfill the demands of global egalitarian justice or international assistance. Typically, outflow CFMs somewhere require inflow CFMs somewhere else. Nor is bilateral treaty-making up to the task, given the global character of capital mobility. Deliberate international coordination is thus superior to ad hoc state-based CFMs.[26]

What follows from these desiderata? Prima facie, our account justifies the long-proposed "Tobin tax," recently advocated for by Wollner (2014). A Tobin tax is a small (typically between 0.01 and 0.05%), international tax on currency speculation, or more generally cross-border financial transactions, that seeks to disincentivize, without fully prohibiting, unproductive forms of international finance while also raising fiscal revenue.

However, given the scale of global capital mobility today (compared with the time of Tobin's 1972 proposal), such a tax may not adequately deter short-term, speculative capital mobility (Terzi 2004). As a complementary means, our argument thus delivers a normative justification for the internationally coordinated state adoption of permanent and more invasive CFMs on speculative transactions, including bans.[27]

Yet, as we will now turn to discuss, even the most coercive CFMs are not sufficient responses to the shortcomings of the contemporary global financial system, due to one of the dominant institutional features of the global economy as it exists today: the status of the

[23] Global egalitarians, by contrast, would argue that a state's economic policy should be eventually constrained by a global institution securing distributive justice transnationally.

[24] In addition to the IMF, the 37-member Organization of Economic Co-operation and Development governs the other principal code, which has stated, since 1961, the goal of FCAC among member states (OECD 2019).

[25] The debate on the effectiveness of CFMs is vast. See Magud, Reinhart, and Rogoff (2018).

[26] Coordination matters not merely pragmatically but also morally. A state's effort to restrict capital mobility may be futile if other states do not do their part, with the consequence that the state's duty to impose CFMs may collapse.

[27] One could object that bans on capital outflows violate investors' "right to exit." However, like in the case of brain drain (Oberman 2013), also in the case of capital flight, the right to exit is arguably not absolute and can be justifiably regulated when necessary to avoid significantly harmful outcomes. Furthermore, the revenue losses of investors, even if high, can be compensated ex post, if and when appropriate.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

U.S. dollar as the de facto global hegemonic currency. This calls for a more radical reform of the global monetary system.

TOWARD A GLOBAL CURRENCY

In this final section, we propose a radical reform of the current international monetary system: the creation of what has recently been called a new "synthetic hegemonic currency," (SHC) to replace the current global role of the U.S. dollar (Carney 2019). We argue that an SHC is a necessary complement to CFMs for two main instrumental reasons. First, it is needed to render CFMs fully effective and to further mitigate some of the costs of free capital mobility that cannot be tackled through CFMs alone. Second, unlike CFMs, which only serve a restrictive function, SHC would serve to enable "good" capital movements, including both movements that are protected on grounds of specific basic liberties and those productive long-term investments that, even if not basic liberty-protected, are beneficial on grounds of economic development and economic integration. Before explaining why this is the case, we must first provide a clearer picture of the role of global U.S. dollar dominance.

Today, the U.S. dollar anchors economic activity throughout much of the world in a manner disproportionate to the relative size of the U.S. economy. Roughly, the U.S. economy accounts for 20% of world GDP. Yet, vastly more—67%—of accumulated foreign exchange reserves, of global securities issues, and of emerging market external debt are denominated in U.S. dollars. Also, 50% of world trade is priced in U.S. dollars—five times greater than the U.S. share of world imports and three times greater than the share of U.S. exports. In recent decades, surprisingly the global use of U.S. dollars has increased, even as the relative U.S. share of world economic activity has declined (Carney 2019; Ilzetzki, Reinhart, and Rogoff 2019).

Hegemonic currencies have long existed. Transitions occur; the U.S. dollar arose after World War II. Debate rages over the U.S. dollar's future hegemonic prospects, although history suggests no hegemony is fated to last.[28] From a normative perspective, we should then ask what is problematic, if anything, with the current global hegemonic configuration, and what ideally should replace it.

U.S. dollar hegemony is particularly problematic, as it uniquely amplifies the costs of global capital mobility while undermining its possible benefits.[29] Recall, FCAC argues that rich country savings will flow "downhill" as productive capital investment to developing economies. But as the U.S. dollar is the world's safest store of value (an important quality of hegemonic currencies), on *net* global capital runs "uphill" from developing economies into U.S. dollar denominated reserve assets—not financing, on *net*, investment in developing countries (Herzog 2019; Rajan 2006). This exacerbates the prior-mentioned *liberalization-to-poverty-reduction empirical fallacy*.

U.S. dollar hegemony renders the *investment-from-savings theoretical fallacy* more extreme, too. Hoardings of U.S. dollar reserve assets in developing countries exist in large part to ward off potential capital flight—that is, the flight of capital from developing countries of large speculative movements of U.S. dollars that cross territorial but not currency borders (often nontransparently passing through offshore tax havens) and are generated by a global U.S. dollar credit system, based in London and New York, which functions independently from rich country savings (Rey 2015). In sum, this dynamic of global speculation and hoarding, rooted in U.S. dollar hegemony, undermines long-term global productive investment. It makes the previously identified costs of unrestricted capital mobility worse—the *opportunity cost of hoarding reserves* and the *cost of foregone economic development.*

U.S. dollar hegemony also contributes to the cost of *financial destabilization.* For one, FCAC assumes that global capital mobility occurs through the exchange of national currencies so that capital mobility changes their relative values—changing the relative prices of each country's exports and imports. Thus, FCAC assumes that trade in goods can stabilize capital flows and vice versa. But when so many countries are pricing so much of world trade—even goods never bound for the United States—in U.S. dollars, while issuing securities or debt in U.S. dollars rather than in their home currencies, these stabilizing adjustments cannot occur (Adler et al. 2020). Instead, U.S. dollar hegemony only amplifies the destabilizing shocks of short-term capital flows. Finally, global speculative flows of U.S. dollars are sensitive to interest rates set on dollar borrowing by the U.S. Federal Reserve, a de facto global central bank. Documented negative "spillovers" from U.S. monetary policy to the world economy are significant, contributing further to the cost of *financial destabilization* (Dietsch 2017; Rey 2015).

In principle, some of these amplifying effects could be mitigated by CFMs. Yet, U.S. dollar hegemony in some instances undermines them. Put bluntly, CFMs that limit or tax transactions that move capital across national currencies are not effective when capital moves across borders through a single currency, the U.S. dollar. This problem could be solved in principle by creating a new system of separate national currencies, with no hegemonic currency. However, such a system would not simply be difficult to achieve

[28] The debate concerns both the future status of the U.S. dollar and whether the global economy is likely to evolve toward a unipolar or multipolar monetary anchor. See Eichengreen 2019 and cites therein.

[29] It might be thought that a concern with US economic domination would best capture the wrong of US dollar hegemony. However, because US dollar hegemony has recently coincided with the waning of relative US economic might it is not clear to what degree US dollar dominance reflects US state and non-state economic domination or the interests of non-US owners of wealth, both state and non-state actors, in propping up the global role of the US dollar (see Levy 2021, 667-733).

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

practically (historically world economies have long been anchored in hegemonic currencies); it would also be at least partly undesirable, for there are aspects of economic global integration, such as trade, that we have reasons to preserve and that are facilitated by the existence of a hegemonic currency of some kind. Jointly taken, these reasons provide a first rationale for complementing CFMs with the creation of a new global currency that would complement, rather than substitute, national currencies.

To see what other reasons there may be, we need first to clarify what could replace the U.S. dollar and how and toward what ends it would work. Proposals for a global currency delinked from any single national currency have existed for a long time (at least as far back as Keynes's proposal during World War II) but grew much louder after the global financial crisis of 2008—even if they have continued to run around politically, given the powerful geopolitical and financial interests at stake (Carney 2019). Practically, our proposal reimagines the IMF's already existing program of "Special Drawing Rights" (SDR). SDR are a reserve currency that currently supplements the official currency reserves of IMF member countries, whose value is set in reference to a basket of U.S. dollars, euros, Chinese renminbi, Japanese yen, and British pounds sterling.

Issued by a new global reserve bank, a proposed new SHC would radically scale up and transform the logic of SDR issues (Stiglitz 2010, 166–70). Whereas the IMF currently allocates SDR disproportionately to rich member states, a new global reserve bank—taking advantage of new digital technologies—could issue an SHC by fiat, allotting them to national economies based on size, as well as need for reserves in light of the global credit cycle. Through a multilateral framework, national central banks would agree to accept the SHC in exchange for their currencies. By purchasing the government bonds of member states, a global reserve bank could back the value of the SHC—still set in reference to a basket of national currencies.[30] The SHC would thereby achieve the status of a fully liquid global currency of account and reserve. In addition to replacing SDR, the new SHC would complement if not outright replace the U.S. dollar in many of its functions as a hegemonic global currency.

What would be the benefits of such an SHC? First, by diminishing U.S. dollar hegemony, it would increase the effectiveness of justified CFMs that regulate mobility across currencies and can only fail to touch US. dollar-based, hot money movements of capital around the world. But more generally, if the U.S. dollar's roles as a currency of trade pricing, reserve hoarding, productive investment, and short-term speculation are thoroughly entangled, then an SHC could contribute toward the deliberate disentangling of these phenomena, to the extent possible, rendering it easier to limit those forms of capital mobility that can justifiably be limited while protecting those that deserve protection. For instance, as global tax avoidance often occurs through U.S. dollar-based tax havens throughout the world, a shift toward an SHC may grant greater global transparency to capital movements, making them easier to monitor and tax. Meanwhile, SHC issues would reduce the need for developing economies to hoard foreign currency reserves. Financing and pricing imports and exports with the SHC, countries could enjoy the benefits of trade, accumulating trade surpluses and deficits in the new global currency, without those surpluses spilling over into foreign exchange hoarding or destabilizing global speculation, as is the case with the U.S. dollar. For instance, if not promptly spent to add to global demand, the accumulated large surpluses of member states could be allocated to a credit facility of the new global reserve bank, which would channel surpluses into long-term productive investments where they are most needed. In sum, a new SHC would not only reduce the costs of *financial destabilization*, *foregone economic development*, and *reserve hoarding*. It would also enable those movements of goods and capital that, even if not basic liberty-protected, states may have good economic reasons to enable, thereby increasing the benefits of global economic integration.

Finally, and more speculatively, a properly designed SHC may also help facilitate those forms of capital mobility that are protected by specific basic liberties. For example, a new global reserve bank could issue "digital tokens" of the SHC as a means for protected personal mobility, humanitarian transfers, and remittances across borders between national currencies, in a much more cost effective and fair manner than the current profit-oriented international banking and payments system. In times of financial crisis, the relevant global authority would grant citizens access to the more stable SHC.

Therefore, our account supports the creation of an SHC not only on derivative grounds—as a means of improving the effectiveness of restrictions—but also on nonderivative ones, as a means of facilitating capital movements we have reasons to facilitate.

CONCLUSION

In this article we have developed a pluralistic account of the ethical limits of capital movement and proposed a radical reform of the global financial system. Beginning with the question of presumption, we have argued that there is no *general* basic liberty to the free movement of capital. However, there are some human interests in (i) a secure, long-term horizon of action; (ii) the fulfilment of humanitarian obligations; and (iii) physical mobility that justify treating capital movement as basic in some specific cases. Different kinds of capital movements should enjoy different kinds of presumptions in favor of their protection.

We then turned to the case for limits. We argued that states are not simply permitted but indeed pro tanto required, on grounds of both global egalitarian justice and international assistance, to impose CFMs on both

[30] Like how national central banks use government bonds to back the value of domestic currencies.

https://doi.org/10.1017/S0003055421000964 Published online by Cambridge University Press

inflows and outflows of speculative financial capital. At the same time, however, states cannot permissibly restrict basic liberty-protected movements of capital on grounds of distributive (global) justice alone and may have good reasons to encourage long-term productive investments, even if these are not basic liberty-protected.

Finally, we drew out the institutional implications of our account. By taking into consideration relevant institutional characteristics of the contemporary global economy—namely, the role of the US dollar as a de facto global hegemonic currency—we argued for a radical reform of the international monetary system, including the creation of a new de jure global synthetic hegemonic currency. An SHC is necessary both to effectively execute justified limits on speculative movements of global capital and enable those cross-border transactions that are basic liberty-protected or that in any case should be facilitated because they are beneficial to economic development.

ACKNOWLEDGMENTS

Earlier versions of this paper were presented at a conference on the future of capitalism at Waseda University, the Edmond Safra Center for Ethics at Tel Aviv University, the Research Centre "Normative Orders" at Goethe University, and the "International Tax Governance and Justice Workshop" at the University of Oxford. We thank the organizers and participants for their questions and suggestions. For written comments and helpful discussions on earlier drafts, we also thank Dan Brudney, Emanuela Ceva, Peter Dietsch, Ben Laurence, and Jim Wilson, as well as three anonymous reviewers and the editors at *APSR*.

CONFLICT OF INTEREST

The authors declare no ethical issues or conflicts of interest in this research.

ETHICAL STANDARDS

The authors affirm this research did not involve human subjects.

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