

## **Abstract**

Capital flight is a fuzzy and unhelpful concept. Russian capital outflows should be analysed in a wider context involving all major determinants of the risk and return faced by Russian savers and investors. Building saver/investor confidence and strengthening the credibility of policies and institutions are preconditions for enhancing the quantity and quality of domestic capital formation in Russia. As reforms progress (financial sector reforms and a fundamental overhaul of the public administration are key), Russian 'capital flight' is set to decrease gradually. Even so, it will remain a feature of the economic landscape for many years. Sharp one-off reversals in net capital flows could disrupt the macroeconomy. A capital repatriation amnesty could prove counterproductive.