

## **Life at an IFI: Understanding, Designing and Debating Macroeconomic Policy**

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### **Term / Language / Credits**

A1A2 / English / 2

### **Objectives**

This course will provide students with an overview of the type of work undertaken at an international financial institution such as the IMF. Lectures will analyze key macroeconomic linkages and use this framework to discuss prominent issues facing the global economy. In this context, the role and effectiveness of global financial institutions, in particular the IMF, will also be considered. Students will have the opportunity to debate policy issues, produce memos on a macroeconomic issue of their choice and to engage in mock job interviews for a position at an international financial institution.

### **Teaching Methods**

The first six classes will be lectures, although ample opportunity will be provided for questions and discussion.

Classes 7 and 8 will consist of organized student debates around one case study for each class—on the Asian crisis of 1998 and the ongoing crisis in Greece. Students will be assigned to one of the two debates and to a side in that debate and will work as a team on their arguments.

Classes 9 and 10 will focus on policy writing and will include both a presentation on good practices for such writing as well as time for students to work, and receive guidance, on their own policy memos. Students will be asked to choose a topic for their memo by the end of Day 2. A list of potential topics will be provided but students can choose other topics, subject to approval.

The last day (Classes 11 and 12) would be a series of one-on-one mock job interviews, about 15-20 minutes each. More detail will be provided later.

### **Grading**

Course grades will be based on (i) the policy memo (50 percent); (ii) the mock interview (30 percent); and participation in the debates (20 percent).

## Schedule and Reading List

### January 5. Orientation.

Introductions and overview of the aims and set-up of the class. Students will be given a list of potential policy issues to serve as the basis of 2-page memos.

### January 6 (Day 1)

**Class 1. Macroeconomic linkages.** This class will present a simplified and qualitative version of the IMF's financial programming framework, to emphasize the links between growth, inflation, exchange rates and external imbalances.

#### **Optional:**

IMF, 2007, "The System of Macroeconomic Account Statistics: An Overview," Pamphlet Series No. 56

**Class 2. The role of macroeconomic policies.** How do fiscal, monetary and exchange rate policies affect macroeconomic performance? This class will provide an overview of these issues, looking both at short-term demand management and the longer-term issue of sustainable growth.

#### **Required:**

Blanchard, Olivier, Giovanni Dell'Ariccia and Paolo Mauro, 2010, "Rethinking Macroeconomic Policy," Staff Policy Note SPN/10/03.

Daniel, James et. al., 2006, "Fiscal Adjustment for Stability and Growth," IMF Pamphlet Series No. 55.

Freedman, Charles, and Douglas Laxton, 1989, "Why Inflation Targeting?" IMF Working Paper WP/09/86

#### **Optional:**

Spillembergo, Antonio, Steven Symansky, and Martin Schindler, 2009, "Fiscal Multipliers," IMF Staff Policy Note, SPN/09/11

IMF, 2011, "Modernizing the Framework for Fiscal Policy and Public Debt Sustainability Analysis," August 2011.

Ostry, Jonathan, Atish Ghosh, and Marco Chamon, 2012', "Two Targets, Two Instruments: Monetary and Exchange Rate Policies in Emerging Markets," IMF Staff Policy Note SPN/12/01.

## January 7 (Day 2)

**Policy memos.** By the end of Day 2, students should choose their topics and, if necessary, have them approved.

**Student debates.** By the end of Day 2, students will receive their debate assignment.

**Class 3. Economic crises.** This class will review the theory of current and capital account crises, look at several real world examples and discuss policies needed to prevent or cope with such crises.

### **Required:**

Krugman, Paul, et. al., 1999, "Currency Crises," chapter in *International Capital Flows*, edited by Martin Feldstein (NBER/University of Chicago).

Claessens, Stijn and M. Ayhan Kose, "Financial Crises: Explanations, Types and Implications," IMF Working Paper WP/13/28.

### **Optional:**

IMF, 2009, "Initial Lessons of the Crisis," February 6, 2009

Claessens, Stijn, et. al, 2010, "Lessons and Policy Implications from the Global Financial Crisis," IMF Working Paper, WP/10/44.

**Class 4. Spillovers.** Economic policies have an impact not only domestically, but also on other countries via both trade and financial links. This class will provide a framework for examining policy spillovers, and examine some cases, including the impact of China's evolving growth strategy on the global economy.

### **Required:**

IMF, 2011, "People's Republic of China: Spillover Report for the 2011 Article IV Consultation," IMF Country Report No. 11.193, June 27, 2011, pp. 4-16.

### **Optional:**

IMF, 2015, "Spillover Report," July 23, 2015.

## January 8 (Day 3)

**Class 5. Global economic governance and the role of the IMF.** In an inter-connected global economy, what role do IFIs play? This class will describe the framework for global economic governance, with emphasis on the role of the IMF. The operations of the Fund, notably in its lending, will be examined, together with critiques of its role.

### **Required:**

Mussa, Michael and Miguel Savastano, 2000' "The IMF Approach to Economic Stabilization," in NBER Macroeconomics Annual Volume 14.

IMF, Fact Sheets on: Lending; Conditionality; Crisis Lending; How IMF Makes Decisions.

### **Optional:**

Weiss, Martin, 2014, "International Monetary Fund: Background and Issues for Congress," Congressional research Service, July 17, 2014.

IMF Independent Evaluation Office, 2014, "The IMF's Lending Toolkit and the Global Financial Crisis," Background Paper BP/14/11.

**Class 6. Two Crises: Asia and Greece.** This class will present background needed for forthcoming student debates. The causes of the crises, the response of the IMF and other key players, and critiques of the IMF's role will be discussed, and key questions for debate will be put forward.

### **Required (Asia):**

Lane, Timothy, et. al., 1999, "IMF-Supported Programs in Indonesia, Korea and Thailand: A Preliminary Assessment," IMF Occasional Paper No. 178.

IMF Independent Evaluation Office, 2003, "The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil," Chapter 2, 4 and 6.

Martin Feldstein, 1998, "Refocusing the IMF," Foreign Affairs, March/April 1998.

Stiglitz, Joseph, "The insider—What I learned at the world economic crisis," The New Republic, April 17, 2000.

Rogoff, Kenneth, "The IMF Strikes Back," Foreign Policy, January/February 2003.

***Optional (Asia):***

Initial Memoranda of Economic Policies for Thailand, Indonesia and Korea programs, 1997.

Rogoff, Kenneth, "An Open Letter," July 2, 2002.

***Required (Greece):***

IMF, 2010, "Greece: Staff Report on Request for Stand-by Arrangement," IMF Country Report 10/110, May 2010.

IMF, 2013, "Greece: Ex Post Evaluation of Exceptional Access under the 2010 Stand-By Arrangement," IMF Country Report No. 13/156, June 2013.

Olivier Blanchard, 2015, "Greece: Past Critiques and the Way Forward," imfdirect blog, July 9, 2015.

IMF, 2015, "Greece: An Update of IMF Staff's Preliminary Public Debt Sustainability Analysis," Country Report 15/186, July 14, 2015.

***Optional (Greece):***

IMF, 2010, "Greece: Memorandum of Economic and Financial Policies," IMF Country Report 10/110, May 2010.

**January 12 (Day 4)**

***Class 7. Student debate on the IMF's role in the Asian crisis***

***Class 8. Student debate on the IMF's role in the Greek crisis.***

**January 13 (Day 5)**

***Class 9. Macroeconomic policy writing.*** The class will develop basic principles of good policy writing that can be applied to the assigned policy memo. Examples of effective policy writing will be presented and discussed.

***Class 10. Macroeconomic policy writing.*** A continuation of Class 9. Students will also have an opportunity to discuss their policy memos with the professor.

**January 14 (Day 6). *Extended office hours***

Students will have scheduled 15-minute mock job interviews at an IFI. Similar to an IMF Economist Program interview, they will be asked to discuss current economic issues, with emphasis on discussing within a coherent framework and emphasizing economic linkages.

Draft policy memos would be due by the end of the day.