

## **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 macroeconomic linkages and use this framework to discuss prominent issues facing the global economy. In this context, the role of global financial institutions, in particular the IMF, will be considered. Students will debate policy issues, produce policy memos, and engage in practice job interviews for a position at an international financial institution. There will be ample opportunity for one-on-one consultation before the completion of each assignment.

### **Teaching Methods**

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

Classes 5 and 6 will focus on policy writing and will include a brief presentation on good practices for such writing. Students will complete an in-class assignment and will work, and receive guidance, on their own policy memos.

Classes 7 and 8 will consist of student presentations on a topic of their choosing. The topic will be the same as that of their policy memos and will present an opportunity to receive feedback on their analysis.

Classes 9 and 10 are structured to allow for one-on-one consultations on policy memos and interview practice and feedback.

The last day (Classes 11 and 12) will be comprised of extended office hours and a series of one-on-one mock job interviews, about 15-20 minutes each.

### **Grading**

Course grades will be based on (i) the policy memo (40 percent); (ii) the mock interview (40 percent); and the student presentations (20 percent).

## Schedule and Reading List

### Tuesday, August 2 (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 2-3 page memos and will be asked to express their preference on debate topic.

### Wednesday, August 3 (Day 1)

**Class 1. The role of macroeconomic policies I.** This class presents a simple macroeconomic framework, emphasizing links between growth, inflation, exchange rates and external imbalances. This framework is then used to focus on the role of fiscal policy, looking both at short-term demand management and the longer-term issue of sustainable growth.

#### Required

IMF, 2015, "Where Are We Headed? Perspectives on Potential Growth," Chapter 3 in *World Economic Outlook*, April.

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

#### Optional:

IMF, August 5, 2011, "Modernizing the Framework for Fiscal Policy and Public Debt Sustainability Analysis."

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

IMF, 2015, "Private Investment: What's the Holdup?" Chapter 4 in *World Economic Outlook*, April.

**Class 2. The role of macroeconomic policies II.** This class focuses on the role of monetary and exchange rate policies in determining macroeconomic performance. We will also examine several ongoing policy debates that have emerged in the wake of the global financial crisis.

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

IMF, October 2013, "Impact and Challenges of Unconventional Monetary Policies," IMF Policy Paper

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

Summers, Lawrence, 2014, "US Economic Prospects: Secular Stagnation, Hysteresis and the Zero Lower Bound," *Business Economics*, Volume 49, No. 2.

**Optional:**

Blinder, Alan, et. al., 2008, "Central Bank Communication and Monetary Policy: A Survey of Theory and Evidence," ECB Working Paper No 898, May.

Vinals, Jose, Simon Gray, and Kelly Eckhold, "The Broader View: The Positive Effects of Negative Interest Rates," iMFdirect blog, April 10, 2016.

Turner, Adair, "The Case for Monetary Finance—An Essentially Political Issue," November 2015

Helene Rey, 2013, "Dilemma not trilemma: the global cycle and monetary policy independence," Federal Reserve Bank of Kansas City, Proceedings - Economic Policy Symposium - Jackson Hole

**Thursday, August 4 (Day 2)**

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

**Class 3. Economic crisis I.** This class will review the theory of, and experience with, current and capital account crises 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:**

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

**Class 4. Economic crisis II: The role of the IMF.** The class will discuss the role

of the IMF in crisis prevention and mitigation. The examples of the Asian crisis and the program with Greece will be highlighted, and key questions for the student debates will be framed.

**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.

**Friday, August 5 (Day 3)**

**Class 5. Macroeconomic policy writing I.** The class will develop basic principles of good policy writing that can be applied to the assigned policy memo. A writing exercise will be worked on in class.

**Class 6. Macroeconomic policy writing II.** A continuation of Class 5. Students will have an opportunity to discuss with the professor their in-class writing as well as their policy memos.

**Monday, August 8 (Day 4)**

**Class 7. Student presentations on topic of their choice**

**Class 8. Student debate on topic of their choice**

**Tuesday, August 9 (Day 5)**

**Class 9. Policy memos.** Students should bring to class drafts of their policy memos for discussion and feedback.

**Class 10. Interview practice.** Some basic guidelines for a successful interview will be discussed. The professor will conduct short practice interviews with each student and provide feedback.

**Wednesday, August 10 (Day 6).**

***Extended office hours/interviews.*** Students will have scheduled 15-20 minute interviews meant to simulate a panel interview at the IMF. They will be asked to discuss current economic issues, with emphasis on explaining their views within a coherent framework and emphasizing economic linkages.

***Draft policy memos*** are due by the end of the day. Students may stop by during the day for consultations on their memos.