

RIDGE / BANCO CENTRAL DEL URUGUAY

WORKSHOP ON INTERNATIONAL MACRO

2019 RIDGE DECEMBER FORUM

Montevideo, Uruguay / December 9-10, 2019

Conference venue: Banco Central del Uruguay, located at Diagonal Fabini 777, Montevideo

Scientific Committee

Javier Bianchi (Federal Reserve Bank of Minneapolis)
Ana Fostel (University of Virginia)
Gerardo Licandro (Banco Central del Uruguay)
Pablo Andrés Neumeyer (U. Torcuato di Tella)
Juan Pablo Nicolini (Federal Reserve Bank of Minneapolis)

Keynote Speaker

Emmanuel Farhi (Harvard University)

The Financial and Stability Development ([FSD](#)) Network of the IDB is
co-organizer of the policy panel

WORKSHOP PROGRAM

DECEMBER, Monday 9th

9:15 Registration

Session 1 – Sovereign Default I

9:30 – 11:00 Chair: **Javier Bianchi**, Federal Reserve Bank of Minneapolis

- **Sovereign Debt Overhang, Expenditure Composition and Debt Restructurings**

Tamon Asonuma, International Monetary Fund (co-authors: Hyungseok Joo)

- **Coordinating in the Haircut. A Model of Sovereign Debt Restructuring in Secondary Markets**

Adriana Cobas, Pontificia Universidad Católica de Chile

11:00 – 11:30 Coffee Break

Session 2 – Sovereign Default II

11:30 – 13:00 Chair: **Elizabeth Bucacos**, Banco Central del Uruguay

- **Sovereign Debt, Default Risk, and the Liquidity of Government Bonds**

Gastón Chaumont, University of Rochester

- **Preferred and Non Preferred Creditors**

Andrew Powell, Inter-American Development Bank (co-authors: Tito Cordella)

13:00 – 14:30 Lunch

Session 3 – Monetary Policy and Capital Controls I

14:30 – 16:00 Chair: **Rodrigo Lluberas**, Banco Central del Uruguay

- **Monetary Policy, Capital Controls, and International Portfolios**

Sebastián Fanelli, CEMFI

- **Optimal Monetary Policy under Dollar Pricing**

Dmitry Mukhin, University of Wisconsin-Madison (co-authors: Konstantin Egorov)

16:00 – 16:30 Coffee Break

Policy Panel

16:30 – 18:00

Chair: **Herman Kamil**, Ministerio de Economía y Finanzas

Inflation Targets and Exchange Rate Management

(Co-organized with the Financial Stability and Development Network of the IDB)

Large swings in capital flows impose important challenges for central banks in emerging markets. During the upswing, domestic credit expands, asset prices rise and exchange rates appreciate. When the cycle reverts, central banks face contractions in credit and asset prices, while the exchange rate depreciates. How should the inflation targeting regime be designed to deal with the cycle? When should the central bank intervene to moderate exchange rate movements and which policies should be used to accomplish this objective? When should foreign exchange intervention and capital flow management be deployed in addition to conventional monetary policy?

Participants:

- **José De Gregorio**, Universidad de Chile
- **Andrew Powell**, Inter-American Development Bank
- **Gastón Gelos**, International Monetary Fund

DECEMBER, Tuesday 10th

Plenary Talk

10:30 – 11:30

Chair: **Gerardo Licandro**, Banco Central del Uruguay

The Darwinian Returns to Scale

Emmanuel Farhi, Harvard University

11:30 – 12:00

Coffee Break

Session 4 – Monetary Policy and Capital Controls II

12:00 – 13:30

Chair: **Christian Daude**, Ministerio de Economía y Finanzas

• **Sticky Capital Controls**

Andrés Fernández, Banco Central de Chile (co-authors: Miguel Acosta, Laura Alfaro)

• **Monetary Policy in Sudden Stop-prone Economies**

Louhou Coulibaly, University of Pittsburgh

13:30 – 15:00

Lunch

Session 5 – Financial Development and Shadow Banks

15:00 – 16:30 Chair: **Ana Fostel**, University of Virginia

- **Financial Development and the Effects of Trade Liberalization**

David Kohn, Pontificia Universidad Católica de Chile (co-authors: Fernando Leibovici, Michal Szkup)

- **Capital Regulations and the Rise of Shadow Banking**

Radek Paluszynski, University of Houston (co-authors: Hyunju Lee, Sunyoung Lee)

16:30 – 17:00 Coffee Break

Session 6 – Quantitative Easing

17:00 – 17:45 Chair: **José Mourelle**, Banco Central del Uruguay

- **Whatever it Takes: What's the Impact of a Major Nonconventional Monetary Policy Intervention?**

Horacio Sapriza, Federal Reserve Board (co-authors: Carlo Alcaraz, Stijn Claessens, Gabriel Cuadra, David Marques-Ibanez)

Keynote Speaker



Emmanuel Farhi is the Robert C. Waggoner Professor of Economics at Harvard University.

His research focuses on macroeconomics, finance, international economics, and public finance. His papers have been published in leading journals including the *American Economic Review*, the *Journal of Political Economy*, the *Quarterly Journal of Economics*, *Econometrica*, the *Review of Economic Studies* and the *Journal of Financial Economics*.

He is a member of the Commission Economique de la Nation, a research associate at the National Bureau of Economic Research and at the Center for Economic Policy Research. He is a former member of the Conseil d'Analyse Economique to the french prime minister.

He was awarded the 2009 Bernacèr Prize for the best European economist under the age of 40 by the Observatory of the European Central Bank, the 2011 Mallinvaud prize by the French Economic Association, the 2013 Best Young Economist prize by Le Monde and the Cercles des Economistes, and the 2013 Banque de France and Toulouse School of Economics prize in Macroeconomics and Finance.

In 2014, he was named one of the 25 best economists under 45 by the IMF. He grew up in France where he attended the École Normale Supérieure and the Corps des Mines. He was awarded his Ph.D. by the Massachusetts Institute of Technology (MIT) in 2006.

Policy Panel

Inflation target and Exchange Rate Management

Large swings in capital flows impose important challenges for central banks in emerging markets. During the upswing, domestic credit expands, asset prices rise and exchange rates appreciate. When the cycle reverts, central banks face contractions in credit and asset prices, while the exchange rate depreciates. How should the inflation targeting regime be designed to deal with the cycle? When should the central bank intervene to moderate exchange rate movements and which policies should be used to accomplish this objective? When should foreign exchange intervention and capital flow management be deployed in addition to conventional monetary policy?

Participants:



José De Gregorio is Full Professor of the Department of Economics at University of Chile. He was Governor of the Central Bank between 2007 and 2011 and also served as Vice-Governor (2003-2007) member of the Bank's Board (2001-2003). He was also Professor at the Pontificia Universidad Católica de Chile, Visiting Professor at Anderson School, University of California, Los Angeles (UCLA), and has taught at Massachusetts Institute of Technology (MIT). He was a member of the Executive Committee of the Latin American and Caribbean Economic Association (LACEA) and was Co-Director of the Organizing Committee of LACEA annual meeting in 1999. He has worked as a consultant for international organizations (IMF, World Bank, IDB and

United Nations) and foreign companies. He has published widely in international academic journals and books on issues of monetary policy, exchange rates, international finance and economic growth. He has served as a referee and member of editorial boards for several academic journals. He holds a PhD in Economics from Massachusetts Institute of Technology (MIT). He has a degree in civil engineering and a master's degree in engineering from the University of Chile. He received the Marcos Orrego Puelma the best graduate of his class.



Andrew Powell is the Principal Advisor in the Research Department (RES). He holds a Ba, MPhil. and DPhil. (PhD) from the University of Oxford. Through 1994 he dedicated himself to academia in the United Kingdom as Prize Research Fellow at Nuffield College, Oxford and Associate Professor (Lecturer) at London University and the University of Warwick. In 1995, he joined the Central Bank of Argentina and was named Chief Economist in 1996. He represented Argentina as a G20/G22 deputy and as member of three G22 working groups (on crisis resolution, financial system strengthening and transparency) in the late 1990's. In 2001, he returned to academia, joining the Universidad Torcuato Di Tella in Buenos Aires as Professor

and Director of Graduate Programs in Finance. He has been a Visiting Scholar at the World Bank, IMF and Harvard University. He joined the IDB's Research Department in 2005 as Lead Research Economist and in 2008 served as Regional Economic Advisor for the Caribbean Region until returning to the Research Department as the Principal Advisor. He has published numerous academic papers in leading economic journals in areas including commodity markets, risk management, the role of multilaterals, regulation, banking and international finance.



Gastón Gelos is Assistant Director and Chief of the Monetary and Macprudential Policies Division in the Monetary and Capital Markets Department. Previously, he headed the Global Financial Stability Analysis Division, where he was responsible for the analytical chapters of the Global Financial Stability Report. Prior to that, he has held positions as an Advisor at the IMF Institute, as a Deputy Division Chief in the Western Hemisphere Department, and as the Fund's Resident Representative to Argentina and Uruguay. He also worked as an economist in the European, Research, and Western Hemisphere Departments. His research covers a range of topics, including monetary and banking issues in emerging markets, financial

stability, the behavior of international investors, and financial contagion and crises. He has published widely in academic journals, including in the *Journal of Finance*, the *Journal of International Economics*, and the *Review of Economics and Statistics*. Mr. Gelos holds a Ph.D. from Yale (1998) and a *Diplom* from Bonn University (1994); he took graduate courses at UC Berkeley (1991-92). He has worked at the IMF since 1998.