RIDGE / BANCO CENTRAL DEL URUGUAY

WORKSHOP ON INTERNATIONAL MACRO

2016 RIDGE DECEMBER FORUM **Montevideo, Uruguay / December 8-9, 2016**

Preliminary Program

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

Scientific Committee

Javier Bianchi (Federal Reserve Bank of Minneapolis)

Gerardo Licandro (Banco Central del Uruguay)

Andrés Neumeyer (Banco Central de la República Argentina and UTDT)

Juan Pablo Nicolini (U. Torcuato di Tella and Minneapolis Fed.)

Invited Speakers

Martín Uribe (Columbia University)

Stephanie Schmitt-Grohe (Columbia University)

WORKSHOP PROGRAM

DECEMBER, THURSDAY 8th.

8:45 Registration

Session 1 – *Monetary policy*

9:00 – 10:30 Chair: Serafín Frache, Banco Central de Uruguay (TBC)

• **Global Financial Conditions and Monetary Policy Autonomy**

Yan Carrière-Swallow, IMF (co-authors: C. Caceres and B. Gruss)

• **Non-linear effect of tax changes on output: A worldwide narrative approach**

Guillermo Vuletin, Brookings Institution (co-authors: S. Gunter, D. Riera-Crichton, and C. Vegh)

10:30 – 11:00 Coffee Break

Plenary Talk

11:00 – 12:30 **• Is Optimal Capital-Control Policy Countercyclical in Open-Economy Models With Collateral Contraints?**

• **Stephanie Schmitt-Grohe** (Columbia University)

12:30 – 14:00 Lunch

Session 2 – *Monetary policy and interventions in the FX market*

14:00 – 15:30 Chair: Andrew Powell, Inter American Development (TBC)

• **FX Interventions in Brazil: A Synthetic Control Approach**

Marcio García, P. Universidade Catolica do Rio (co-authors: M. Chamon, L. Souza.)

• **Monetary Aggregates Management in a SOE: a DSGE Approach**

Serafín Frache, Banco Central del Uruguay (co-author: various)

15:30 – 16:00 Coffee Break

Session 3 – *Capital flows and financial stability*

16:00 – 16:45 Chair: Javier García-Cicco, U. Católica (Argentina) and Banco Central de Chile

• **Optimal Joint Bond Design**

Eduardo Davila, New York University (Stern) (co-author: Charles-Henri Weymuller)

Policy Debate

17:15 – 18:45 **Monetary Policy in the New Normal: Instruments and Targets for Emerging Markets** (Conference room "Cr. Enrique V. Iglesias")

Participants:

• **Enrique Iglesias (Chair)**

• **Mario Bergara**, Banco Central del Uruguay

• **Aloisio Araujo**, F. Getulio Vargas

• **Andres Neumeyer**, Banco Central de la República Argentina and UTDT

• **Stephanie Schmitt-Grohe**, Columbia University

DECEMBER, FRIDAY 9th.

Plenary Talk

9:00 – 10:30

• **Is The Monetarist Arithmetic Unpleasant?**

• **Martin Uribe,** Columbia University

10:30 – 11:00 Coffee Break

Session 4 – *Commodity prices and Terms of Trade*

11:00 – 12:30 Chair: Javier Bianchi, Minneapolis Fed (TBC)

• **Real exchange rates, income per capita, and sectoral input intensitie**

Javier Cravino, University of Michigan (co-author: Sam Haltenhof.)

• **Real exchange rates and primary commodity prices**

Constantino Hevia, U. Torcuato di Tella, Buenos Aires (co-author: co-authors: J. P. Nicolini,, J.Ayres.)

12:30 – 14:00 Lunch

Session 5 – *Exchange rate and the labor market*

14:00 – 14:45 Chair: Andrés Neumeyer, BCRA and UTDT (TBC)

• **Labor Market Dynamics After Large Devaluations**

Andres Drenik, Columbia University

14:45 – 15:00 Coffee Break

Session 6 – *Terms of trade, commodity prices and Emerging Markets Bussiness Cycles*

15:00 – 15:45 Chair: Martín Uribe, Columbia University (TBC)

• **Trade in Commodities and Emerging Market Business Cycles**

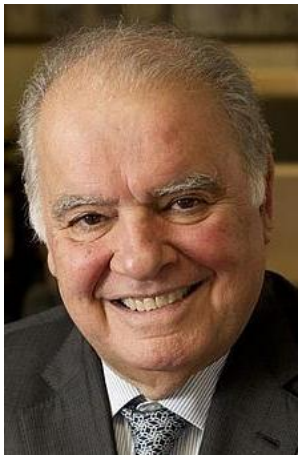
David Kohn, UTDT (co-authors: Fernando Leibovici, Hakon Tretvoll.)

Policy Debate

Monetary Policy in the New Normal: Instruments and Targets for Emerging Markets

Following the market crash of 2008, the world has entered a new normal of very low to negative global interest rates, very volatile capital flows, stock and commodity prices and very low inflation. Emerging markets, on the other hand, face stronger domestic demand conditions, which have resulted in higher inflation. While there is evidence of softer grip on monetary policy (world bank evidence) in the region, there are some evident differences in the way countries have decided to cope with this environment in terms of instruments and targets. Most countries have adopted IT using the interest rate as their instrument, while others have opted to continue using monetary aggregates. Official Inflation targets range between 2 and 5 %, while inflation tolerance is high for one digit inflation. What are the key factors countries take into account when deciding targets and instruments in monetary policy? Inflation expectations show in general higher volatility in the short run, but in some cases there is still a large volatility in long run inflation expectations. Some countries have not managed to rule out ricardian finances. Is credibility an issue? How does it interact with the optimal selection of targets and instruments? How robust are current frameworks to the materialization of adverse shocks to the economies? What should be the role of foreign exchange rate intervention as a monetary policy tool in the new normal?

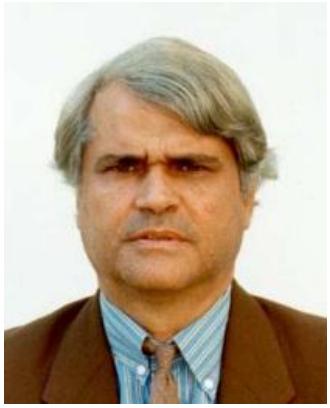
Participants:



Enrique Valentín Iglesias: has been the Ibero-American Summit´s Secretary General based in Madrid, Spain from its foundation in 2005 until April 2014. Prior to this, Iglesias held different positions in international organizations, as well as in the Government of Uruguay, including President of the Inter-American Development Bank (IDB); the U.N Economic Commission for Latin America and the Caribbean (ECLAC); Uruguay's Minister of Foreign Relations and President of its Central Bank. He also was Secretary General of the 1981 U.N Conference on New and Renewable Sources of Energy and Chairman of the Conference that in 1986 launched in Punta del Este, Uruguay the Uruguay Round and the eventual creation of the WTO. Iglesias graduated from the Universidad de la República of Uruguay in Economics and Business Administration and pursued specialized programs of study in the United States and France. He was Professor at the Universidad de la República of Uruguay and also served as Director of its Institute of Economics. He has published extensively on Latin American and Uruguayan economic issues, capital markets, external financing and multilateralism. Iglesias has received ten honorary academic degrees from American and European universities, as well as official decorations and professional awards, among them the Príncipe de Asturias award.

Mario Bergara: Doctor in Economics (Ph.D.) (1998), University of California, Berkeley. Economist and Public Accountant, Facultad de Ciencias Económicas y de Administración - Universidad de la República Oriental del Uruguay. Professor of Contract Theory, Economics of Regulation and Microeconomics of Banking – Economics Department - Facultad de Ciencias Sociales - Universidad de la República Oriental del Uruguay. He, systematically teaches courses in Argentina, Perú, Cuba y Paraguay. Former Head of the Department of Economic Studies, Central Bank of Uruguay. Former Member of the Board of the Communication Services Regulatory Agency (URSEC). Former Vice Minister of Economy and Finance (2005-2008). Elise and Walter Haas International Award 2008 of the University of California, Berkeley. President of the Central Bank of Uruguay (2008- 2013). Minister of Economy and Finance from December 2013 to February 2015. President of the Central Bank of Uruguay since April 2015.

Stephanie Schmitt-Grohe: is a professor of economics in the Department of Economics at Columbia University in the City of New York. She is a research associate of the National Bureau of Economic Research and a research affiliate of the Centre for Economic Policy Research, London. Before joining Columbia in 2008, she taught at Duke University, Rutgers, The State University of New Jersey, and was a staff economist in the Division of Monetary Affairs at the Board of Governors of the Federal Reserve System in Washington. She has held visiting positions at the European Central Bank, Goethe University in Frankfurt, and Princeton University. Her research and writings have primarily focused on macroeconomic issues, in particular monetary and fiscal policy in the open and closed economy. Her work has been honored with the Bernácer Prize, which is awarded annually to a European economist under the age of 40, who has made outstanding contributions in the fields of macroeconomics and finance. She is a native of Germany and received her doctorate in economics in 1994 from the University of Chicago.



Aloisio Araujo: is a full Professor at both the Associação Instituto Nacional de Matemática Pura e Aplicada (Brazil) and the Fundação Getúlio Vargas (Brazil). He has published several papers in Econometrica, the Journal of Economic Theory, the Journal of Mathematical Economics, Economic Theory, the Journal of International Economics, and RAND Journal of Economics, among others. Araujo is a Foreign Honorary Member of the American Economic Association, Elected President of the Society for the Advancement of Economic Theory (2012), Foreign Associate of The National Academy of Sciences - USA, Fellow of the Third World Academy of Sciences, and a Foreign Honorary Member of the American Academy of Arts & Sciences. He is also a fellow of the Executive Committee of the Committee of the International Economic Association, Guggenheim Foundation, Econometric Society, Council of the Econometric Society, and the Brazilian Academy of Science. Araujo received B.A. degrees in Economics and Statistics in 1968, an Ms.C. in Mathematics from the Associação Instituto Nacional de Matemática Pura e Aplicada in 1969, and a Ph.D. in Statistics from the University of California in 1974.

Pablo Andrés Neumeyer: is the chief economist of the central bank of Argentina since February 1st, 2016. He is on leave from his position as professor of economics at Universidad Torcuato Di Tella. His research is in the fields of macroeconomics, international finance and development. He has published theoretical and applied papers in several journals including *American Economic Review, Econometrica* and the *Journal of Monetary Economics*. He is a fellow of the Econometric Society and a Guggenheim Fellow. He obtained his PhD in economics from Columbia University in 1992 and studied economics as an undergraduate at Universidad de Buenos Aires. He worked as a professor at the University of Southern California and has taught courses (mainly in international macroeconomics and finance) at Stanford University, Universidad de Montevideo, Universidad de los Andes, University of Chicago, Universidad Pompeu Fabra, New York University, and Universidad Carlos III. He received numerous grants and awards from the Tinker Foundation, Agencia Nacional de Promoción Científica y Tecnológica, Commission of the European Communities, el Institute for the Study of World Politics and Columbia University. He worked as a consultant for the Inter American Development Bank, the World Bank and the Federal Reserve and delivered seminars, public lectures and private talks at numerous universities, central banks and financial institutions throughout the Americas, Europe and Japan. He is the head of LACEA's network on International Finance since 1999. He was chair of the Latin American Chapter of the Econometric Society and served in the Consejo de Administración Universidad Torcuato Di Tella and as a member of the Board of Directors of the Global Development Network. Editor of the blog Foco Económico. Member of LACEA, American Economics Association, Econometric Society.

Keynote speakers:

Martín Uribe: is a professor of Economics at Columbia University and a Research Associate of the National Bureau of Economic Research (NBER). Before joining Columbia, Uribe taught at Duke University and the University of Pennsylvania, and was a Staff Economist at the Division of International Finance of the Board of Governors of the Federal Reserve System. Uribe obtained a Ph.D. in economics from the University of Chicago, a Master degree from CEMA (Buenos Aires, Argentina) and a BA degree from Universidad Nacional de Córdoba (Argentina). He has made scientific contributions in the areas of International Economics and Monetary and Fiscal Policy. His research focuses on understanding the sources and propagation of macroeconomic shocks and on the design of monetary and fiscal stabilization policies. His work has been published in academic journal such as the American Economic Review, the Journal of Political Economy, and Econometrica and has received financial support from the National Science Foundation. He has held visiting research positions at the Federal Reserve Bank of Philadelphia, the European Central Bank, Goethe University (Germany), University of Bonn, and Princeton University and has consulted for the World Bank. Uribe is a Co-editor of the Journal of International Economics, an Associate editor of the Journal of Money, Credit and Banking and previously served in this capacity at the International Economic Review.

Stephanie Schmitt-Grohe: is a professor of economics in the Department of Economics at Columbia University in the City of New York. She is a research associate of the National Bureau of Economic Research and a research affiliate of the Centre for Economic Policy Research, London. Before joining Columbia in 2008, she taught at Duke University, Rutgers, The State University of New Jersey, and was a staff economist in the Division of Monetary Affairs at the Board of Governors of the Federal Reserve System in Washington. She has held visiting positions at the European Central Bank, Goethe University in Frankfurt, and Princeton University. Her research and writings have primarily focused on macroeconomic issues, in particular monetary and fiscal policy in the open and closed economy. Her work has been honored with the Bernácer Prize, which is awarded annually to a European economist under the age of 40, who has made outstanding contributions in the fields of macroeconomics and finance. She is a native of Germany and received her doctorate in economics in 1994 from the University of Chicago.