

ECGA 5450 Course Calendar Fall 2009

Last update October 12th 2009

Wednesday, October 29th: *IMF debate/presentations: bring 10 copies of your notes or email your powerpoint presentation by October 27th [signup sheet form email button](#).*

Wednesday, October 22nd problems #3 and 5 from [Problem Set #2](#) typed w/ hand drawn figures & equations (do what you can and ask questions by email or in class), *IMF debate/presentations please [sign up using this template](#) by October 13th use the email button to send the form email what your topic to mcleod@fordham.edu. Readings: IMF-October 2009 WEO [Chapter 1](#) and GFS Report, [Chapter 1](#).*

Wednesday, October 14th problems #2 and 4 from [Problem Set #2](#) typed w/ hand drawn figures & equations (do what you can and ask questions by email or in class).

Wednesday, October 7th turn in problem #1,2 from [Problem Set #2](#) typed w/ hand drawn figures & equations.

Wednesday, September 30th turn in problem #6 from [Problem Set #1](#) typed w/ hand drawn figures & equations.

Wednesday, September 23rd please turn in problems #2-5 [Problem Set #1](#) typed w/ hand drawn figures & equations.

Wednesday, September 16th answer three global imbalance reading review questions below

link to [online readings CD](#) (password protected)

October 2009

Sun	Mon	Tue	Wed	Thur	Fri	Sat
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

A new IMF? [Tensions over IMF threaten to mar G20](#) *Financial Times, Edward Luce, Chris Giles and Krishna Guha in Pittsburgh PA*
[The IMF assessed: A good war The IMF has done well under Dominique Strauss-Kahn, but its future is unclear from The Economist print edition Sep 17th 2009](#)
[IMF: back from the dead but not ready for the future \(Economist\) and a beautiful but unworkable Tobin tax...](#)
[IMF lending at a glance](#) [Factsheet: the changing IMF](#) [pdf version](#)
[A new Brettonwoods? Nigeria CBN anniversary presentation](#)

September 2009

Sun	Mon	Tue	Wed	Thur	Fri	Sat
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

IMF Gets New Role of Serving the G-20 –WSJ October 5, 2009

ISTANBUL -- International Monetary Fund Managing Director Dominique Strauss-Kahn is using the IMF's annual meeting here to campaign for turning the fund into a kind of global central bank with at least \$1 trillion for lending developing nations in a crisis. But a very different reality is taking shape: The IMF is essentially being turned into the staff of the Group of 20, an organization of industrialized and developing nations that doesn't have a headquarters, staff or rules for membership. With the leaders of the G-20 effectively functioning as the board of directors of the global economy, they need the IMF's help to carry out their role. While the IMF's new assignment was discussed at the G-20 leaders' summit in Pittsburgh recently, it was more fully fleshed out -- and widely endorsed by non-G-20 countries -- in Istanbul over the weekend. It was also backed by finance ministers from some of the world's largest industrialized countries and won a nod from an IMF policy committee that convenes at the annual meeting. And while Mr. Strauss-Kahn would like the IMF to do more, he too has embraced the emerging G-20 role. *Reuters photo: From left, IMF Deputy Managing Director John Lipsky, Egyptian finance chief Youssef Boutros-Ghali and IMF Managing Director Dominique Strauss-Kahn in Istanbul on Sunday. Essentially the arrangement is designed to answer problems faced by both the IMF and the G-20.*



The IMF has long responded to requests from its largest shareholders -- such as pressing China over currency issues at the behest of the U.S. But the assignments were often met by grumbling among IMF staff and led developing countries to see the IMF as a tool of U.S. foreign policy. Significant now are the breadth of the G-20 move and the fact that it is seen as truly multilateral -- coming from a larger group of major countries. And it addresses a continuing political failure: The IMF's biggest shareholders often ignore its advice. Now the G-20 will handle the politics of the global economy, largely by member countries peer-reviewing each other's policies -- and by pressing countries to stick to their pledges. In the case of China, that means relying less on exports -- and by implication letting its currency appreciate -- and in the case of the U.S., cutting its long-term debt.

For the G-20, relying on the IMF's staff also could relieve political pressure, in this case from nations that aren't members of the club. Egyptian Finance Minister Youssef Boutros-Ghali, who chairs the IMF's policy committee, said, "What's the role [at the G-20] of the [IMF's] other 165 nations? That's two billion people" being left out. He said he thought those members would be satisfied if IMF staff working for the G-20 went through the IMF's regular channels -- such as presenting documents for review to the fund's executive board, which represents all IMF members. But Israeli central banker Stanley Fischer, a former IMF deputy managing director, said deeper change is needed. Eventually, he said, the G-20 should become the governing board of the IMF and have the responsibility of representing the IMF's other members. The G-20 finance ministers plan to start figuring out the precise procedures during a November meeting in Scotland.

Among tasks already assigned to the IMF is the analysis of plans by G-20 nations to boost growth and monitoring whether nations are carrying them out. Along with the Financial Stability Board, an organization of central bankers and regulators, the IMF will perform similar work on regulatory proposals. The G-20 is also counting on the IMF to develop early warnings of asset bubbles and other major problems. European Central Bank governing-council member Axel Weber was skeptical of Mr. Strauss-Kahn's goal of turning the IMF into a global lender of last resort. But Mr. Strauss-Kahn said he had made progress in winning support, pointing to a policy-committee recommendation that the IMF should "review its mandate."

Economist: The World Bank-IMF meetings: Money, votes and politics

Oct 7th 2009 from Economist.com Battles over money and power at the World Bank and IMF AP "WE ARE into the world of politics", said the World Bank's president, Robert Zoellick, at the two-day annual meetings of the World Bank and the International Monetary Fund, ending on Wednesday October 7th in Istanbul. Mr Zoellick was referring to the disagreements between richer and poorer countries over his institution's pleas for more funding to cope with the aftermath of the financial crisis. But his statement held true for much of what went on at this year's meetings.



It was easy to reach broad agreement that it was too early for governments and central banks to begin winding down their big stimulus packages. But opinions diverged over the need to boost the funding of the world's main financial institutions, and even more so when it came to discussing demands by big developing countries such as China and India for more voting power on their boards. That such a shift in influence away from the rich countries is under way was clear from the outcome of the [G20 summit in Pittsburgh](#) on September 25th. The G20, which includes the biggest rich and emerging economies, anointed itself the primary forum for international economic co-operation, replacing the G7, a more exclusive rich-world club that will now concentrate mainly on security matters. The G7's members largely accept this but some are struggling to come to terms with the G20's agreement that there should be a 5% shift in countries' quotas in the IMF. These determine their share of the vote in the fund, and the contributions they are expected to make to it. Any change will move power away from the rich countries, which are over-represented in proportion to their share of the world economy, towards the under-represented developing ones.

Nobody expected a firm decision at the Istanbul talks on precisely how to adjust the voting system. This will be the subject of negotiations that the IMF aims to wrap up by 2011. But in a sign of how tough these will be, the statements of European countries (the likely losers from a change in voting power) were rather different in tone and substance than those of their Asian and Latin American counterparts, who stand to gain. Axel Weber, the chairman of the Bundesbank and Germany's governor at the fund, said that "the quota review should be based on the equal treatment of all members". It was striking that neither he nor his French counterpart, Christian Noyer, made a specific reference to the 5% quota shift towards the emerging world, preferring to talk in general terms.

Eswar Prasad, a former IMF official who now teaches at Cornell University, says that the Europeans "are still supportive of the shift in principle but aren't ready to accept what that implies in reality. Nuances about what the 5% shift means and entails are creeping into all of the European countries' statements." In contrast, India's finance minister, Pranab Mukherjee, reiterated his country's demand for the quota shift to be 7%. America seems to have thrown its weight behind the emerging world on this issue. However, America joined Britain and France to give the World Bank's request for a capital increase a distinctly lukewarm reception. Having lent \$33 billion this year, up from \$13.5 billion in the previous year, the bank is worried about having to ration resources by the middle of next year. Developing countries were broadly in support of a capital injection, but rich ones—which would have to foot most of the bill—were less enthusiastic. They would like to see further proof that the bank is using the resources it has efficiently before thinking about more. The bank for its part realises that getting national parliaments' approval for sending more money to international institutions will be hard at a time when governments' finances are so overstretched. Besides pressing for more funds for the World Bank, the poorer countries are also pressing to have an even bigger say in the bank's running than the G20 has proposed.

As noted by the IMF's managing director, Dominique Strauss-Kahn, the world has changed greatly since the equivalent meetings a year ago which came soon after the collapse of Lehman Brothers. The world economy is no longer seen by most to be on the brink of another Depression. However, the meetings in Istanbul made it clear that it will take some time for the politics of the international financial system to catch up with the shift in economic power that the crisis has precipitated. Even before the crisis, according to the World Bank, nearly three-fifths of the growth in global GDP came from China and India alone. This year, pretty much all the growth in the world economy will come

from outside the rich world. This has made reform of the international financial institutions, which already looked out of sync with reality before the crisis, even more urgent. The question is how long it will take for those who currently hold power to accept this.

FINANCE & ECONOMICS **The IMF assessed: a good war** Sep 17th 2009 | WASHINGTON, DC from The Economist print edition **The IMF has done well under Dominique Strauss-Kahn, but its future is unclear**

DOMINIQUE STRAUSS-KAHN, the ebullient managing director of the International Monetary Fund, likens its role to that of a doctor. As the crisis has spread, the IMF has been called in to cure ailing economies from Ukraine to Pakistan. It is still too early to judge the success of the fund's prescriptions for troubled countries. But the IMF itself is certainly in far ruder health than it was at the start of the financial crisis.

Just a year ago the fund's finances were in tatters and its relevance was in doubt. During the early stages of an economic crisis that should have been its natural terrain, Barry Eichengreen, an economic historian at the University of California, Berkeley, wrote: "Global crises used to remind us why we have the IMF. If the fund doesn't come up with some new ideas for how to handle this one, the crisis may only remind us why we can forget it."

Part of the IMF's problem was that its reputation had been severely dented by the experience of rescue operations during the 1997-99 emerging-market crises, when it prescribed notoriously bitter fiscal and monetary pills. As a result its advice lacked legitimacy, particularly in emerging Asia, which saw the fund's views as geared to its rich-country backers in Europe and America. Many emerging economies subsequently concentrated on building up enormous foreign-exchange reserves to ensure that they would not have to turn to the fund again (these reserves are held by many to have been an underlying cause of today's crisis). That in turn meant that the fund had so little income from loans that it could not cover its costs.



Mr Strauss-Kahn himself had a difficult start when he took over as managing director in November 2007. His first big task was a contentious cull of around 15% of the staff. And just as the first group of crisis-hit emerging economies was turning to the IMF, an investigation into an affair between him and a member of staff proved an embarrassing (albeit brief) distraction. Few would have predicted at that point just how adroitly Mr Strauss-Kahn would move the fund back to centre stage. The biggest sign of his success is a trebling of the IMF's kitty to \$750 billion. Some of the new money has come from familiar sources such as America and Europe. But in a boost to the fund's legitimacy, the BRIC economies—Brazil, Russia, India and China—have all agreed to contribute to its coffers by subscribing to its first-ever bond issue, to the tune of \$80 billion. Equally important, the fund has been on the cutting edge of the global policy response. As Mr Strauss-Kahn puts it, the fund's experience of 122 earlier banking crises gives it "unparalleled expertise at the intersection of Main Street and Wall Street". He was an early, vocal and consistent advocate of co-ordinated global fiscal stimulus, advice that in hindsight seems remarkably prescient. And the IMF's analytical work—whether in identifying the scale of the losses from the financial meltdown or in predicting the effect of the crisis on public finances—has helped reinforce its intellectual credentials.

The extra cash has allowed the IMF to go into crisis-hit countries with packages that can make a difference. It has also allowed the fund to offer "crisis insurance" in the form of a new pre-emptive lending tool, the Flexible Credit Line (FCL). Mexico, Colombia and Poland have so far used this facility. And it still has more money available to lend than it did before the crisis. The fund's standard crisis-mitigation loan packages have become more responsive to conditions in client countries. Mr Strauss-Kahn says that its use of conditions attached to loans has become more focused on "fixing the crisis, not fixing the world". He points to the removal of conditions related to land reform from the IMF package in Ukraine because, though useful, they were not essential for macroeconomic stabilization. Insiders also credit Mr Strauss-Kahn with emphasizing the need to protect spending on the very poor. His background in politics has made him keenly aware of the need to ensure that economic adjustment can work politically.

Despite having had a good run so far, the IMF's relevance once the crisis is over is far from assured. For his part, Mr Strauss-Kahn is nothing if not ambitious. He argues that the success of the FCL paves the way for the fund to become a true global lender of last resort, much as John Maynard Keynes originally proposed. For this to work, he believes that the IMF needs more money—perhaps as much as \$2 trillion in all—and the trust of its poorer members, so that they rely on the fund's resources, rather than their own reserves, to insure against crises.

Gaining this trust will require reforms to the fund's "quotas" to give emerging economies more voting power. One round of changes has already been agreed, though not yet implemented. The G20 countries have asked the IMF to complete its next set of quota reviews by January 2011. But to satisfy developing countries, rich ones would have to give up more power than they may be prepared to. The finance ministers of the BRIC countries want a shift in voting power toward emerging countries that is considerably bigger than anything proposed so far. To be

useful, the IMF must also be ready to take unpopular positions. Mr Strauss-Kahn quotes Keynes when he promises that the fund's "ruthless truth-telling" will convince countries of the soundness of its advice. But more representative governance may make such candor more difficult. Some argue that the IMF has retreated from criticism of China's exchange-rate regime as China has become a bigger backer.

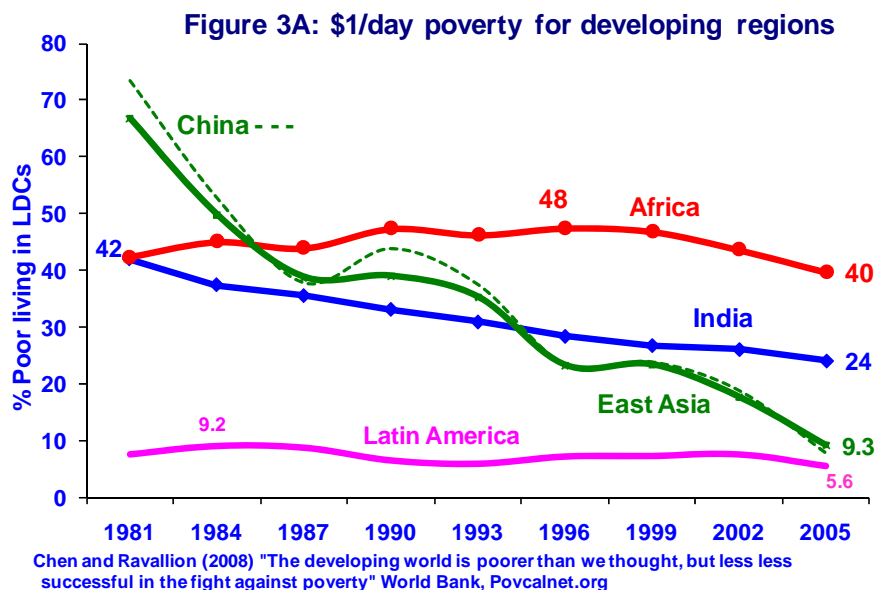
Keynes also envisaged the existence of sanctions for both surplus and deficit countries. But Mr Strauss-Kahn is wary of seeing the IMF as a sort of "policy police with legal instruments to make countries change their policies". Yet without some power to enforce its writ, the IMF is likely to be ignored, much as its advice on global imbalances was before the crisis. Like any good medic, the fund must find a way to strike a balance between being firm and being friendly.

Reading review questions: Answers these questions typed single spaced as best you can for Wednesday September 16th

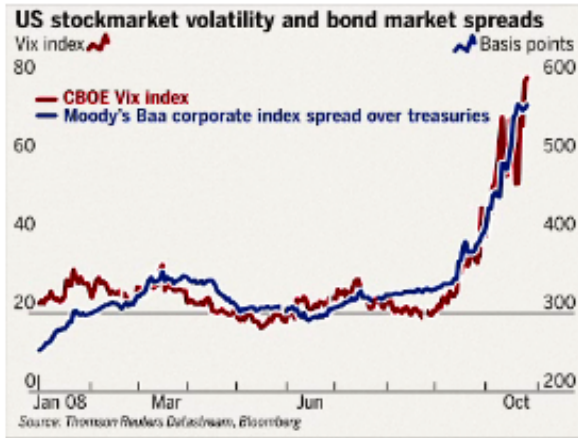
1. Briefly outline the argument current U.S. crisis was caused by China and other Asian nations saving too much, lending the U.S. money at too low a rate. Use as many "approaches" to the balance of payments (external adjustment) as you can to explain the origins of the U.S. deficit with China (or its counterpart, China's current account surplus). Which approach suggests this imbalance can easily and quickly be reduced by doing what? Which approach suggests it will not be easy to reduce this CA imbalance?
2. Is the United States living beyond its means (use the absorption approach to answer this questions). Alexander feared reducing an CA surplus would always worsen the distribution of income. Why? Conversely should a B of P deficit improve the distribution of income? Discuss the housing and Wal-Mart booms in this context? Which has been a disappointment in terms of redistributing income? How has trade with China affect poverty and inequality in the United States. Which effect seems to have dominated so far?
3. Does the current account matter? If no, what are the bottom lines related to CA imbalances? How have did the fundamentals respond to growing CA imbalances during the 2001-07 expansion? *How did world income distribution respond to these imbalances?*

China and America: the end of a mutually beneficial current account imbalance?

New York Times, [Recovery Picks Up in China as U.S. Economy Still Ails](#) September 18, 2009
 Naill Ferguson, [Newsweek, August 31st 2009](#), Chimerica: headed for Divorce?
 Ferguson vs. Fallows: [Aspen Institute debate \(60 minutes, optional viewing\)](#)
 Dooley VOX "[A solution in search of a problem...](#)"



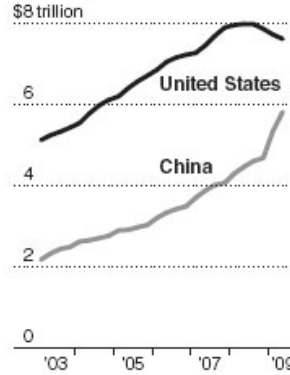
The end of Lehman Brothers: a new era in global financial markets?



Lending Differently ...

Total loans outstanding have soared at Chinese banks this year, while slipping at weakened American banks.

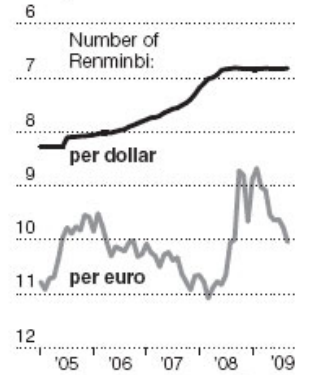
TOTAL BANK LOANS OUTSTANDING Quarterly \$8 trillion



... and Stimulating Exports

China has effectively halted the rise of the renminbi against the dollar for the last 14 months through currency market interventions, and driven down the renminbi against the euro.

VALUE OF THE RENMINBI* Monthly



*Scale is inverted to show a past rise of the renminbi against the dollar, and its current fall against the euro.

Sources: People's Bank of China; Federal Deposit Insurance Corporation; State Administration of Foreign Exchange, via CEIC Data

THE NEW YORK TIMES

The Fed Didn't Cause the Housing Bubble: any new regulations should help direct savings toward productive investments. By [ALAN GREENSPAN](#)

We are in the midst of a global crisis that will unquestionably rank as the most virulent since the 1930s. It will eventually subside and pass into history. But how the interacting and reinforcing causes and effects of this severe contraction are interpreted will shape the reconfiguration of our currently disabled global financial system.

Chad Crowe

There are at least two broad and competing explanations of the origins of this crisis. The first is that the "easy money" policies of the Federal Reserve produced the U.S. housing bubble that is at the core of today's financial mess.

The second, and far more credible, explanation agrees that it was indeed lower interest rates that spawned the speculative euphoria. However, the interest rate that mattered was not the federal-funds rate, but the rate on long-term, fixed-rate mortgages. Between 2002 and 2005, home mortgage rates led U.S. home price change by 11 months. This correlation between home prices and mortgage rates was highly significant, and a far better indicator of rising home prices than the fed-funds rate.



This should not come as a surprise. After all, the prices of long-lived assets have always been determined by discounting the flow of income (or imputed services) by interest rates of the same maturities as the life of the asset. No one, to my knowledge, employs overnight interest rates -- such as the fed-funds rate -- to determine the capitalization rate of real estate, whether it be an office building or a single-family residence.

The Federal Reserve became acutely aware of the disconnect between monetary policy and mortgage rates when the latter failed to respond as expected to the Fed tightening in mid-2004. Moreover, the data show that home mortgage rates had become gradually decoupled from monetary policy even earlier -- in the wake of the emergence, beginning around the turn of this century, of a well arbitrated global market for long-term debt instruments. U.S. mortgage rates' linkage to short-term U.S. rates had been close for decades. Between 1971 and 2002, the fed-funds rate and the mortgage rate moved in lockstep. The correlation between them was a tight 0.85. Between 2002 and 2005, however, the correlation diminished to insignificance.

As I noted on this page in December 2007, the presumptive cause of the world-wide decline in long-term rates was the tectonic shift in the early 1990s by much of the developing world from heavy emphasis on central planning to increasingly dynamic, export-led market competition. *The result was a surge in growth in China and a large number of other emerging market economies that led to an excess of global intended savings relative to intended capital investment. That ex ante excess of savings propelled global long-term interest rates progressively lower between early 2000 and 2005.*

That decline in long-term interest rates across a wide spectrum of countries statistically explains, and is the most likely major cause of, real-estate capitalization rates that declined and converged across the globe, resulting in the global housing price bubble. (The U.S. price bubble was at, or below, the median according to the International Monetary Fund.) By 2006, long-term interest rates and the home mortgage rates driven by them, for all developed and the main developing economies, had declined to single digits -- I believe for the first time ever. I would have thought that the weight of such evidence would lead to wide support for this as a global explanation of the current crisis.

However, starting in mid-2007, history began to be rewritten, in large part by my good friend and former colleague, Stanford University Professor John Taylor, with whom I have rarely disagreed. Yet writing in these pages last month, Mr. Taylor unequivocally claimed that had the Federal Reserve from 2003-2005 kept short-term interest rates at the levels implied by his "Taylor Rule," "it would have prevented this housing boom and bust." This notion has been cited and repeated so often that it has taken on the aura of conventional wisdom.

Aside from the inappropriate use of short-term rates to explain the value of long-term assets, his statistical indictment of Federal Reserve policy in the period 2003-2005 fails to address the aforementioned extraordinary structural developments in the global economy. His statistical analysis carries empirical relationships of earlier decades into the most recent period where they no longer apply.

Moreover, while I believe the "Taylor Rule" is a useful first approximation to the path of monetary policy, its parameters and predictions derive from model structures that have been consistently unable to anticipate the onset of recessions or financial crises. Counterfactuals from such flawed structures cannot form the sole basis for successful policy analysis or advice, with or without the benefit of hindsight.

Given the decoupling of monetary policy from long-term mortgage rates, accelerating the path of monetary tightening that the Fed pursued in 2004-2005 could not have "prevented" the housing bubble. All things considered, I personally prefer Milton Friedman's performance appraisal of the Federal Reserve. In evaluating the period of 1987 to 2005, he wrote on this page in early 2006: "There is no other period of comparable length in which the Federal Reserve System has performed so well. It is more than a difference of degree; it approaches a difference of kind."

How much does it matter whether the bubble was caused by inappropriate monetary policy, over which policy makers have control, or broader global forces over which their control is limited? A great deal. If it is monetary policy that is at fault, then that can be corrected in the future, at least in principle. If, however, we are dealing with global forces beyond the control of domestic monetary policy makers, as I strongly suspect is the case, then we are facing a broader issue.

Global market competition and integration in goods, services and finance have brought unprecedented gains in material well being. But the growth path of highly competitive markets is cyclical. And on rare occasions it can break down, with consequences such as those we are currently experiencing. It is now very clear that the levels of complexity to which market practitioners at the height of their euphoria tried to push risk-management techniques and products were too much for even the most sophisticated market players to handle properly and prudently.

However, the appropriate policy response is not to bridle financial intermediation with heavy regulation. That would stifle important advances in finance that enhance standards of living. Remember, prior to the crisis, the U.S. economy exhibited an impressive degree of productivity advance. To achieve that with a modest level of combined domestic and borrowed foreign savings (our current account deficit) was a measure of our financial system's precrisis success. The solutions for the financial-market failures revealed by the crisis are higher capital requirements and a wider prosecution of fraud -- not increased micromanagement by government entities.

Any new regulations should improve the ability of financial institutions to effectively direct a nation's savings into the most productive capital investments. Much regulation fails that test, and is often costly and counterproductive. Adequate capital and collateral requirements can address the weaknesses that the crisis has unearthed. Such requirements will not be overly intrusive, and thus will not interfere unduly in private-sector business decisions.

If we are to retain a dynamic world economy capable of producing prosperity and future sustainable growth, we cannot rely on governments to intermediate saving and investment flows. Our challenge in the months ahead will be to install a regulatory regime that will ensure responsible risk management on the part of financial institutions, while encouraging them to continue taking the risks necessary and inherent in any successful market economy.

Mr. Greenspan, former chairman of the Federal Reserve, is president of Greenspan Associates LLC and author of "The Age of Turbulence: Adventures in a New World" (Penguin, 2007).

Recent Vox posts of relevance

[Does exchange rate flexibility speed up current account adjustment?](#)

[Menzie D. Chinn](#), [Shang-Jin Wei](#) 1 December 2008, *This column examines whether the pace at which a country's current account balance adjusts to its average value depends upon the exchange rate regime. The benefits of exchange rate flexibility for current account adjustment are found to be greatly exaggerated. By some measures, a fixed exchange rate facilitates faster adjustment.*

The view from last year:

Brookings Institution. "[IMF and the World Bank: the case for separating them](#)" *Rex Reiffel*, , October 2008,

Financial Times: [“Money without policies is a waste”](#) October 20th 2008 [Reshaping the banks: time to ask the IMF for help](#) October 7th by R. Rajan former IMF Director of Research. [IMF Set to help Stabilize Ukraine](#) Oct. 20th

Bloomberg: [Pakistan may seek IMF help to avoid default on Debt](#) *IMF Topics*: [Financial Stability](#)

World Bank, [Finance Ministers Urge Bank, IMF to Step Up Assistance to Developing World](#)

1. *Economist*: [needed a new multilateral strategy](#) [Emerging markets chart a new course](#) [Africa: opportunity knocks](#)

Political Economy of Stabilization: reforms during crises. Basic data charts + sources due December 10th. Final exam December 17th see [Final Exam Review questions \(backup\)](#) and Agenor Chapter 8 and IMF [WEO 2002 Chapter 4](#) for early warning indicators.

Countries chosen so far:

Bekit	Eritrea and Ethiopia
Mara	Iceland Scandanavia
Walter	Russia
Rossen	Pakistan
Brandon Vick	Indonesia or SA
Chris	Indonesia?
Adam	???
Ryan Jones	Korea

Data Sources: [WEO Database October 2008](#) and [DSBB search site](#); IMF [Regional Economic Outlook for Asia and Africa](#); WDI Online, GDF database, [Quarterly Debt Indicators](#); IMF IFS (Walsh Library access).

Wednesday December 10th: Basic data charts + sources for your country due December 10th printed or by email.

Wednesday December 17th: Final exam in class.

Readings for currency crisis lecture: Please for tomorrows class please take a look at the following readings: Agenor Chapter 8 (online on your course CD... it is a big 3mb file) skim section 8.1 for now (models) read through sections 8.2 and 8.3 and even 8.4 if you have time.

See also the [mechanics of speculative attacks](#),

And this [description of Mexico's crises](#),

Finally take a look at [Chang and Velasco](#) (tread lightly):

And these handouts we will discuss in class,

<http://www.gdsnet.org/classes/Change&VelascoTrasparencies.pdf>

<http://www.gdsnet.org/classes/GenerationsCurrencyCrisis2008Handout.pdf>

Monday October 20th: Finally the [take-home midterm](#) has been exam posted *now due Tuesday November 11th by 9pm*. Here are all three [questions](#); Parts I and II (with a short required question) will be posted Friday October 31st (day of the dead). If you submit the midterm electronically (pdf please) you must also submit a printed copy in class November 12th late exams will result in reduced grades, especially if a late exam results in a missed lecture.

IMF-World Bank Debate: see also my web page for some IMF-World Bank listings, Iceland is covered, it is best to confirm topics with me by email Monday (mcleod@fordham.edu).

Brookings Institution. "[IMF and the World Bank: the case for separating them](#)" Rex Reiffel, , October 2008,

Financial Times: "[Money without policies is a waste](#)" October 20th 2008 [Reshaping the banks: time to ask the IMF for help](#) October 7th by R. Rajan former IMF Director of Research. [IMF Set to help Stabilize Ukraine](#) Oct. 20th

Bloomberg: [Pakistan may seek IMF help to avoid default on Debt](#) **IMF Topics:** [Financial Stability](#)

World Bank, [Finance Ministers Urge Bank, IMF to Step Up Assistance to Developing World](#)

Economist: [needed a new multilateral strategy](#) [Emerging markets chart a new course](#) [Africa: opportunity knocks](#)

October 22nd 7-7:30pm review of HW problems: 7:30pm finish alternative stabilization policies-high inflation discussion and then discuss current financial crisis, see IMF [World Economic Outlook \(WEO\) October 2008](#), especially chapters 1,3 and 4 (we will discuss October 15th). Also, please choose a topic for discussion during the IMF-World Bank reform discussion (see topics above, or on web page). If possible focus on whatever proposals emerge from this weeks IMF and G7 meetings, especially to the extent these proposals involve the IMF. Particularly important right now is moral Hazard and lender of last resort. Iceland is the first country to go “bankrupt” in the current crisis, someone should discuss briefly what happened to Iceland and why it eventually, it seems, will turn to the IMF as its “lender of last resort” as much as the government dislikes this prospect (they tried to borrow from Russia last week, but the loan fell through). *Brief debate summaries are due Monday October 20th by email to me if you want my early feedback or if you want me to make copies for the class. Please make 2 sided copies, or even 2 on 1 two sided copies to make it easy to duplicate for the class. Or we can post it on line and look at in class when you speak. A short power point presentation is fine too, especially if you have color figures or tables, but not necessary. We will finish up our high inflation discussion and discuss the IMF’s and World Bank’s role in the current crisis in preparation for our IMF October 22nd debate.*

Monday October 20th: take-home midterm exam posted on web page and here, **due Tuesday November 3rd by 9pm.** If you submit the midterm electronically (pdf or word) you must also submit a printed copy in class November 5th late exams will result in reduced grades, especially if a late exam results in a missed lecture.

<< October Today December >>

November 2008

Sun	Mon	Tue	Wed	Thur	Fri	Sat
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6

Calendar Archive:

Readings for first two weeks: Sachs Chapter 6 and 2, [De Vries pp. 7-30](#) and class handouts; plus for PhD students Frankel & Razin Chapters 5 and 17; [Obstfeld and Rogoff chapt 1 pp. 1-21](#) and see class handouts. This is a course calendar, not an [official University calendar](#), which you check here (except for Thanksgiving (November 26th) Wednesday classes are not affected by holidays).

Wednesday September 25th *Class starts at 8pm due to President Lionel Fernandez’s talk at 7pm in Keating Auditorium (I think, check this).* HW #1 due: please answer questions 1-5 from [Discussion Questions Set #1A](#) (note version 1A has a change in question 3c) these questions draw on the first two lectures and the readings in section 2 of the reading list. Please type brief answers using the a,b,c sections of each question; equations or diagrams can be drawn by hand. Finally please put label each HW near your name (HW #1, #2 etc.). Please turn in typed assignments in class, copies left in my mailbox or the envelope on my office door tend to get lost (OK to turn in or scan a copy to pdf, but also bring the original to class—always keep a back up copy just in case).

October 1st HW# 2 due if possible turn your answers for question 6 from [PS #1A](#) and question 1 from [PS#2](#) typed-double-spaced, equations and figures hand-drawn—sections a,b,c, etc. marked.

<< September Today November >>

October 2008

Sun	Mon	Tue	Wed	Thur	Fri	Sat
28	29	30	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

Due October 8th HW #3 Answer questions 2-4 from Problem Set #2 following format and approach discussed above.

October 15th: HW#4: answer both questions from sustainable current account handout, show calculations, interpret in words where required, don't spend a lot of time with these calculations, and recall that 20% is .20 when you are doing calculations.

*7-7:30pm review of HW problems: 7:30pm finish inflation discussion and then discuss current financial crisis, see IMF [World Economic Outlook \(WEO\) October 2008](#), especially chapters 1,3 and 4 (we will discuss October 15th). Also, please choose a topic for discussion during the IMF debate. Please focus on whatever proposals emerge from this weeks IMF and G7 meetings, especially to the extent these proposals involve the IMF. Particularly important right now is moral Hazard and lender of last resort. Iceland is the first country to go "bankrupt" in the current crisis, someone should discuss briefly what happened to Iceland and why it eventually, it seems, will turn to the IMF as its "lender of last resort" as much as the government dislikes this prospect (they tried to borrow from Russia last week, but the loan fell through). *Brief debate summaries are due Monday October 20th by email to me if you want my early feedback or if you want me to make copies for the class. Please make 2 sided copies, or even 2 on 1 two sided copies to make it easy to duplicate for the class. Or we can post it on line and look at in class when you speak. A short power point presentation is fine too, especially if you have color figures or tables, but not necessary. We will finish up our high inflation discussion and discuss the IMF's and World Bank's role in the current crisis in preparation for our IMF October 22nd debate.**

October 4th HW #2B due: *If you did not turn in problems 1-3 from PS#2A September 27th, please do problems 1-3 from [Problem Set 2B](#) (not 2A) typed-double-spaced, equations and figures hand-drawn—sections a,b,c, etc. marked. Also please answer the two questions at the end of the sustainable CA deficits handout and type brief answers to questions 6-8 on page 689 of Sachs and Larrain Chapter 21. Do not spend a lot of time on these questions, but if you are not sure about your answers, review chapter 21 and then ask in class (you can make corrections to typed answers in class). Also please skim as much as you can of Chapter 4 and Chapter 17 in Frenkel and Razin (see new CD) and the first 5-10 pages of Obstfeld and Rogoff Chapter 1 (also on the new CD under book excerpts). Finally, if you have time read Tirole [chapter 1](#) and [chapter 2](#) to get started on the financial crisis IMF discussion, but we probably won't talk about this until next class after this one. It should be on your new CD under book excerpts if not ask for a new CD and get via the course web site (or by clicking the links above for now).*

October 11th Please turn a typed answer to problem #4 of [Problem Set #2B](#) and turn in a brief summary of one or more traditional or modern criticisms of the IMF (or defend against the same). Be sure to include clear references, a brief summary and your own thoughts. These summaries will be distributed in class for an “IMF Debate” October 25th.

Lectures:

bekit@fordham.edu, gcarvalho@fordham.edu, du@fordham.edu, finley@fordham.edu,
gabor@fordham.edu, jjack@fordham.edu, ryjones@fordham.edu, kachelmeyer@fordham.edu,
rsohn@fordham.edu, susar@fordham.edu, trendafilov@fordham.edu, vick@fordham.edu,
scwalter@fordham.edu, abragar@gmail.com

November 29th: Currency crises and Income Distribution

December 5th: 7:30pm Case Study Country Presentations

December 6th: Political Economy and Structural Adjustment

December 12th: 7:30pm Case Study Country Presentations (if any)

December 13rd: Aid absorption and Aid effectiveness

Final Exam: December 14th or December 20th

Last day of class December 13th Final exam December 20th

October 18th 2006: If possible submit a 1-2 page summary of your reading(s), including clear full citations, a date and your name. I will either post these on the web site or distribute copies in class. It is unlikely we can cover all topics in one class. Note the preliminary division of topics, see

1. Criticisms/defenses of the IMF w/r to the Asia Crisis (October 18th)
Walter Kuhisch, Jonner, Betty Lim

2. Criticisms/defenses of the IMF w/r to the LatAm, Russia and/or Turkey: (October 18th)
Diego , Nathalia, Angela, Jose C. Lim
3. Criticisms/defenses of the IMF w/r to SS Africa (PRSPs, HIPC, health caps) (October 25th)
Megha Das and Ymna
4. Recent IMF Reforms (October 25th)
Keven Komoroski and Wael Hibri

Take home midterm distributed October 25th due November 7th (subject to change)

Calendar Archives: