

# KDI/IMF Conference on Reconstructing the World Economy

## February 25, 2010—Seoul, Korea

*Co-organized by the Korea Development Institute (KDI) and the International Monetary Fund (IMF),  
with the support of the Presidential Committee for the G-20 Summit,  
Ministry of Strategy and Economy, Financial Services Commission, and Bank of Korea*

### Program

**8:30 – 8:45 a.m. Welcoming remarks** by Dr. Oh-Seok Hyun, President of the KDI

**8:45 – 9:15 a.m. Opening remarks** by Mr. John Lipsky, First Deputy Managing Director of the IMF, and Dr. Il SaKong, Chairman of the Presidential Committee for G-20 Summit

**9:15 – 10:30 a.m. Session I**

#### Exit Strategies for Anti Crisis Measures

**Chair:** Michael Callaghan (Executive Director, Macroeconomic Group (International) and Special Envoy, The Treasury, Australia)

**Presenters:** Jose Viñals (Financial Counsellor and Director, Monetary and Capital Markets Department, IMF) and Paolo Mauro (Division Chief, Fiscal Affairs Department, IMF)

**Lead Discussants:**

Jean-Pierre Landau (Second Deputy Governor, Bank of France)

Eisuke Sakakibara (Professor, Waseda University)

**Objectives**

Putting the fiscal and monetary accounts back in order, in the wake of the crisis, and restoring financial stability is a major policy topic. While it is still premature to exit, it is not too soon to prepare for this by clarifying the strategy governments will follow to normalize policies. The session will outline key principles for the required adjustment, including the timing and sequence for exit, and scope for coordination.

**Topics for discussion**

▪ **Restoring normalcy to fiscal policy.** The key issues are (i) the implications on growth and interest rates of the surge in public debt; (ii) the need for fiscal adjustment—going well beyond unwinding stimulus measures—to ensure sustainability of public finances; (iii) the timing and mix of policy measures, including long-term entitlement reform; and (iv) the supportive role of fiscal policy frameworks and institutions.

▪ **Returning to a normal monetary policy framework and withdrawing financial sector support.** The main issues include (i) the timing, preconditions, and operational aspects of withdrawal of monetary policy and liquidity support measures; (ii) review of monetary policy framework going forward; (iii) managing market disruption risks as exit takes place from withdrawing government guarantee and capital injections; and (iv) minimizing risk of future losses from crisis related financial assets on government and central bank balance sheets.

▪ **Strengthening coordination.** The issues include (i) better coordination across fiscal, monetary, and financial policies, within a country and across borders; (ii) effective communication; and (iii) possible risks and challenges during the process of exiting, such as increased capital inflows into emerging and commodity markets, and regulatory arbitrage.

**10:30 – 10:45 a.m. Coffee Break**

**10:45 a.m. – 12:00 p.m. Session II**

### **Redesigning the Macro-Framework**

**Chair:** Jong-Wha Lee (Chief Economist, Economics and Research Department, Asian Development Bank)

**Presenter:** Giovanni Dell'Ariccia (Advisor, Research Department, IMF)

**Lead Discussants:**

Yung Chul Park (Professor of Economics, Korea University)

Jürgen Stark (Member of the Executive Board, European Central Bank)

**Objectives**

The crisis has shown that vulnerabilities and threats to macro-financial stability may develop under a seemingly tranquil surface of low and stable inflation and output gap. This session will examine how the crisis has challenged the consensus view of the macroeconomic policy framework. In that context, it will discuss if and how macroeconomic policy should respond to sectoral imbalances and asset-price and housing bubbles; and the potential role for macro-prudential regulation.

**Topics for discussion**

- The complementary roles of monetary policy and macro-prudential regulation in dealing with asset-price booms/busts.
- The zero nominal interest rate bound and the level of inflation targets.
- Who should be in charge of macroprudential regulation: Regulatory agencies or central banks?
- What are the lessons for fiscal policy?

**12:00 – 12:15 p.m. Break**

**12:15 – 1:45 p.m. Session III / Working lunch**

### **The Future Financial System**

**Chair:** Yoon Je Cho (Dean of Graduate School of International Studies, Sogang University)

**Presenter:** Laura Kodres (Division Chief, Monetary and Capital Markets Department, IMF)

**Lead Discussants:**

Philip Lowe (Assistant Governor (Economic), Reserve Bank of Australia)

Hyun Song Shin (Adviser to the Korean President for the International Economy)

**Objectives**

The crisis has motivated a profound re-evaluation of the global financial system. How both policymakers and the private sector respond to the recent events will shape the future financial system and its role in the global economy for at least a generation. This session will explore the probable outcomes of changes in financial regulation and supervision, the competitive environment for financial institutions, improvements to the market infrastructure, and the introduction of macro-prudential policies.

**Topics for discussion**

- Is the new emphasis on financial regulation and supervisory structures that seek to address the systemic nature of financial risks likely to be an effective approach towards limiting future crises?
- What should be the prerequisites for such an approach in terms of widening the perimeter of regulation to non-bank financial institutions and finding ways to internalize externalities that lead to excessive leverage and risk-taking?
- In working towards global consistency of regulation to quell systemic risks and “to maintain a level playing field,” what are the areas where this might be difficult to achieve and what are possible solutions?
- How can regulatory and supervisory efforts to mitigate systemic risks be balanced with the benefits of innovation and a more globally integrated financial system?

**1:45 – 2:00 p.m. Break**

**2:00 – 3:15 p.m. Session IV**

**Global Imbalances: in the Middle of the Stream?**

**Chair:** Takatoshi Ito (Professor, Graduate School of Economics, University of Tokyo)

**Presenter:** Olivier Blanchard (Economic Counsellor and Director, Research Department, IMF)

**Lead Discussants:**

Charles Bean (Deputy Governor, Bank of England)

Justin Lin (Chief Economist and Sr. Vice President, Development Economics, World Bank)

**Objectives**

Before the crisis, there were strong arguments for reducing global imbalances. As a result of the crisis, there have been significant changes in saving and investment patterns across the world, and imbalances have narrowed considerably. Does this mean that imbalances are a problem of the past? Hardly. The paper argues that there is an urgent need to implement policy changes to address the domestic and international distortions that are a key cause of imbalances. Failure to do so could result in the world economy being stuck “in the middle of the stream,” threatening the sustainability of the recovery.

**Topics for discussion**

- Are global current account imbalances a threat to the recovery and/or to global financial stability?
- Can policy actions contribute to reducing the (domestic and international) distortions that cause imbalances?
- Which actions could the major countries and regions undertake, and how effective would these actions be in reducing imbalances?
- From a global political economy view point, can countries be convinced to take these required actions?

**3:15 – 3:30 p.m. Coffee Break**

**3:30 – 4:45 p.m. Session V****Future of the International Monetary System**

**Chair:** John Williamson (Senior Fellow, Peterson Institute for International Economics)

**Presenter:** Isabelle Mateos y Lago (Advisor, Strategy, Policy, and Review Department, IMF)

**Lead Discussants:**

Changyong Rhee (Secretary General of Presidential Committee for G20 Summit and Korean Sherpa)

Jean Pisani-Ferry (Director, Bruegel)

**Objectives**

The global crisis resurrected deep-rooted concerns about the functioning of the international monetary system. Despite its relative stability in the crisis, the current system has inherent weaknesses. These have been amplified in recent years by a sharp rise in the demand for reserves, reflecting in part emerging markets' tendency to self-insure against costly capital account crises. As this tendency is widely expected to accentuate in the wake of the crisis, it is worth exploring what can be done to ease these tensions. Solutions exist on the demand side—e.g., alternative insurance arrangements that could mitigate the precautionary demand for reserves; and on the supply side—a menu of alternative reserve assets could offer sustained stability and efficiency, although most face significant practical and political hurdles.

**Topics for discussion**

- To what extent does the recent crisis suggest a need to fundamentally reform the international monetary system, as opposed to laying to rest concerns about long term macroeconomic stability in the main reserve issuer?
- What can be done to contain precautionary reserve accumulation? Is there scope to contain other sources of reserve accumulation? How?
- Are superior alternatives to U.S.-issued reserve assets conceivable over the medium to long run? Which ones? What would it take for them to emerge?

**4:45 – 5:00 p.m. Coffee Break****5:00 – 6:00 p.m. Panel discussion****Asia in the International Monetary System**

Panelists, drawing upon the discussions during the conference, will discuss the role of Asian countries in reconstructing the international monetary system.

**Chair:** Dr. Oh-Seok Hyun

**Panelists:** Olivier Blanchard, Michael Callaghan, Yoon Je Cho, Takatoshi Ito, Jong-Wha Lee, and John Williamson

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**6:30 – 8:00 p.m. Conference Dinner**

**For those attending G20/RBWC events on February 26–28, shuttle bus service will operate between the Westin (Seoul) and Sheraton (Incheon) hotels; shuttles will depart the Westin after the conference dinner on February 25 to Incheon, and also on the morning of February 26 to reach the Sheraton (Incheon) in time for the beginning of the G20/RBWC conference.**

*For questions on the program, please contact Jonathan D. Ostry, Deputy Director, Research Department, IMF at [Jostry@imf.org](mailto:Jostry@imf.org). For administrative details, please contact [Stomilloso@imf.org](mailto:Stomilloso@imf.org).*

## Joint KDI/IMF Conference on "Reconstructing the World Economy"—Participants

A mix of academics, policymakers, and a few editors/press commentators (bound by Chatham House rules).

### a. IMF:

1. Jonathan D. Ostry, Deputy Director, Research Department
2. Jerald Schiff, Senior Advisor to the First Deputy Managing Director
3. Gian Maria Milesi-Ferretti, Assistant Director, Research Department
4. Subir Lall, Division Chief, Asia and Pacific Department
5. Gilles Bauche, Advisor, External Relations Department
6. Yoshiko Kamata, Sr. External Relations Officer, External Relations Department

### b. Officials :

7. Abdulrahman Al-Hamidy, Vice Governor, Saudi Arabian Monetary Agency
8. Abdulrahman Alkalaf, Deputy Governor for Technical Affairs, Saudi Arabian Monetary Agency
9. Jorg Asmussen, Director General, Federal Ministry of Finance, Berlin, Germany
10. Peter Bekx, Director for International Economic and Financial Affairs, European Commission
11. Amar Bhattacharya, Director of the G24 Secretariat
12. Martin Brooke, Head of International Finance Division, Bank of England
13. Creon Butler, Senior Adviser, International and Finance Directorate, HM Treasury, United Kingdom
14. Bruno Cabrillac, Banque de France
15. Pavel Chernyshev, Deputy Head of International Cooperation Division, Ministry of Finance, Russia
16. Young Wook Chin, Korea Investment Corporation
17. Fabig Holger, Head of Division-G20, ASEM, Emerging Markets , Federal Ministry of Finance, Germany
18. Yoona Jo, Delegation of the EU to the Republic of Korea
19. Unathi Kamlana, National Treasury, South Africa
20. Lesetja Kganyago, Ministry of Finance, South Africa
21. Özge Çağlayan Koç, Department Chief, General Directorate of Foreign Economic Relations of Undersecretariat of Treasury, Turkey
22. Sing Chiong Leong, Executive Director, Monetary Authority of Singapore
23. Augusto Lopez-Dee, Managing Director, Monetary Operations Sub-Sector, Central Bank of Philippines
24. Brian McDonald, Delegation of the EU to the Republic of Korea
25. Jason Milton, South African Reserve Bank
26. Carlo Monticello, Ministry of the Economy and Finance, Italy
27. Sitikantha Paatanaik, Director, Division of Money and Banking, Reserve Bank of India
28. Sergey Potapov, Department for International Financial Issues, Ministry of Finance, Russia
29. Gwang-Ju Rhee, Deputy Governor, Bank of Korea
30. Raymond Ritter, European Central Bank
31. Daungporn Rodpengsangkhaha, Team Executive, Intl Economics Department, Bank of Thailand
32. Mark Sobel, Acting Assistant Secretary for International Affairs, US Department of the Treasury
33. Ju-Quan Tan, External Department, Monetary Authority of Singapore
34. Andrew Thomas, The Treasury, Australia
35. Uwe Wissenbach, Delegation of the EU to the Republic of Korea

### c. Academics and private sector:

36. Joshua Aizenman, Professor of Economics, University of California
37. Jean-Luc Alexandre, Head of Emerging Markets Proprietary Trading, BNP Paribas, London, United Kingdom
38. Edmond Alphandéry, Chairman of the Board of Directors, CNP Assurances, France
39. Luigi Butiglione, Brevan Howard Asset Management, United Kingdom
40. Michael Dooley, Partner, Cabezon Capital
41. Ilan Goldfajn, Chief Economist, Itau Unibanco, Brazil
42. Haizhou Huang, Managing Director, China International Capital Corporation Limited
43. Ken Kletzer, Professor of Economics, University of California Santa Cruz
44. Eduardo Levy-Leyati, Barclays Capital, Argentina
45. David Daokui Li, Director of the Center for China in the World Economy, Tsinghua University
46. Ousmène Mandeng, Head of Public Sector Investment Advisory, Ashmore Investment Management
47. Nina Massis, The Reinventing Bretton Woods Committee

48. Tiehang Niu, China Centre of International Economic Exchanges
49. Chalongphob Sussangkarn, Distinguished Fellow of the Thailand Development Research Institute
50. Alexander Swoboda, Professor, International Economics, Graduate Institute of International Studies, Geneva
51. Aaron Tornell, Professor of Economics, University of California Los Angeles
52. Angel Ubide, Managing Director, Tudor Investments
53. Marc Uzan, The Reinventing Bretton Woods Committee
54. Shahin Vallee, Head of CEEMEA Strategy, BNP Paribas, London, United Kingdom

**d. Press commentators\_(Chatham House rules):**

55. Zanny Minton Beddoes, Economics Editor, The Economist
56. TN Ninan, editor-in-chief, Business Standard, India
57. Tian Wei, "Dialogue" CCTV9, People's Republic of China