Joint Vienna Institute

Course on Macroeconomic Policies in Times of High Capital Mobility

Vienna, Austria

March 24 – 28, 2014

PROGRAM

Monday, March 24

08:30 – 09:00  Administrative Briefing,
Ms. Iwona Kabat-Lefèbre, Program Officer, Joint Vienna Institute (JVI)

09:00 – 9:45  Opening Session:
Welcome Speech and Overview of the Course
Mr. Norbert Funke, Director, JVI
Introduction to Group Debates
Mr. Luis Catão, Senior Economist, Ms. Irina Bunda, Economist, and
Ms. Asel Isakova, Junior Economist (all JVI).

09:45 – 10:15  Quiz

10:15 – 10:45  Coffee Break

Lecture by Mr. Funke
- Types of capital flows, push and pull factors
- Benefits and risks associated with capital inflows
- Policy implications

14:00 – 17:30  L-2  Capital Account Crises in Practice
Lecture by Ms. Bunda
- Old and new generations of financial crises
- Sudden stops: causes and policy responses
- Case studies of capital account reversals and adjustment programs

1 With the exception of the first and last days, coffee will be served at 10:30 a.m. and 3:30 p.m.
Lunch will be from 12:30 p.m. to 2:00 p.m.
**Tuesday, March 25**

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| 09:00 – 10:30 | L-3            | **Models of External Sector Risks and Vulnerabilities**  
  Lecture by Mr. Catão  
  • Alternative crisis definitions  
  • Signal-based and regression-based approaches  
  • In- and out of sample performance |
| 11:00 – 12:30 | W-1            | **Workshop: Early Warning Systems for Financial Crises**  
  Facilitated by Counselors  
  • Macroeconomic indicators that best signal systemic crises  
  • Detect crisis thresholds based on the noise-to-signal ratio  
  • Construct (weighted and unweighted) crisis indicators |
| 14:00 – 15:30 | L–4            | **Foreign Exchange Reserves**  
  Lecture by Ms. Bunda  
  • Evolution of FX reserves and their role  
  • Approaches to estimate the optimal level of FX reserves  
  • Reserves adequacy metrics |
| 16:00 – 17:30 | W-2            | **Workshop: The Optimal Level of Forex Reserves**  
  Facilitated by Counselors  
  • Predicting sudden stops in capital flows: panel approach  
  • Assess international reserve adequacy based on various metrics  
  • Jeanne and Rancière model (Economic Journal, 2011) |

**Wednesday, March 26**

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| 9:00 – 10:30  | L–5            | **Dealing with Capital Flows (1): The Role of Macroeconomic Policies**  
  Lecture by Mr. Funke  
  • Exchange rate appreciation, reserve accumulation, and sterilization  
  • Adjustments in monetary and fiscal policies  
  • Choosing among options: decision tree |
| 11:00 – 12:30 | L-6            | **Dealing with Capital Flows (2): The Role of Macroprudential Policy**  
  Lecture by Ms. Isakova  
  • Macroprudential policy: definition and interaction with other policies  
  • Tasks and tools of macroprudential policy  
  • Institutional framework and multilateral coordination |
14:00 – 15:30 L-7  **Dealing with Capital Flows (3): The Role of Capital Controls**
Lecture by Mr. Funke
- Main forms of capital controls
- Capital inflows versus capital outflows measures
- Empirical evidence on the effectiveness of capital controls

16:00 – 17:30 P-1  **Participants’ Presentations: Country Experiences with Coping with Capital Flows & Challenges for Policymakers**
- Croatia: Mr. Alan Bobetko;
- Poland: Ms. Beata Bierut;
- Turkey: Messrs. Veysi Kassap and Ugur Serkan Ata.

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**Thursday, March 27**

09:00 – 12:30 L-8  **External Assessment Methodologies**
Mr. Luis Catão
- Overall analytical framework
- Earlier empirical methodologies (IMF’s CGER and others)
- IMF’s New External Balance Assessment (EBA) method

14:00 – 15:30 W-3  **Workshop: The EBA Approach in Practice**
Facilitated by Counselors
- Panel data regressions
- Positive vs. normative interpretations of regression residuals
- Computation of EBA gaps

16:00 – 17:30 G-1  **Preparation for Policy Debates**

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**Friday, March 28**

09:00 – 10:30 L-9  **Guest Lecture: CEE Recovery vs EM ‘Crisis’: A Financial Market Perspective**
Mr. David Hauner, Head of EEMEA Fixed Income Strategy and Economics, Bank of America Merrill Lynch Global Research

10:45 – 12:15 P-2  **Policy Debates**
Moderated by Mr. Norbert Funke

12:15 – 13:00 Light lunch at the JVI

13:00 – 13:30  **Final Quiz**

13:30 – 14:30  **Feedback session and Closing of the Course**