

INTERNATIONAL MONETARY FUND

Joint Vienna Institute/Institute for Capacity Development

Course on Monetary Policy (JV 17.24)

Vienna, Austria, August 28-September 8, 2017

Program¹

Monday, August 28

9:00 a.m. – 9:30 a.m.	Administrative briefing Ms. Tatiana Arnhold, Program officer, Joint Vienna Institute (JVI)
9:30 a.m. – 9:45 a.m.	Opening session: Introductory remarks Mr. Richardson, Director (JVI) Mr. Davoodi, Senior Economist (ICD) Mr. Rafael Portillo (JVI) Jaromir Hurnik (consultant)
9:45 a.m. – 10:30 a.m.	Initial test
10:30 a.m. – 11:00 a.m.	Tea/coffee break
11:00 a.m. – 12:30 p.m.	L-1 Introductory Lecture Lecture by Mr. Davoodi <ul style="list-style-type: none">• Role of monetary policy in macroeconomic stabilization• Lessons learned and remaining challenges• Brief introduction of the course outline and teaching methods
2:00 p.m. – 3:30 p.m.	L-2 Institutional Framework, Goals and Links with other Policies Lecture by Mr. Portillo <ul style="list-style-type: none">• Money and the need for monetary policy• Role of price stability; policy tradeoffs arising from multiple goals• The role of central bank autonomy, accountability and transparency• Monetary policy interactions with exchange rate regime, and other policies (fiscal, exchange rate, financial)
2:30 p.m. – 4:30 p.m.	L-3 Main Concepts and Measurements Used in Monetary Policy Analysis Lecture by Mr. Hurnik <ul style="list-style-type: none">• Inflation, the business cycle and the Phillips curve• The role of core inflation and natural or equilibrium levels of output/unemployment, interest rate, and the real exchange rate in monetary policy analysis; the Taylor Rule

¹ Coffee breaks will be held from 10:30 a.m. to 11:00 a.m., and from 3:30 p.m. to 4:00 p.m., unless otherwise indicated. The lunch breaks will be from 12:30 a.m. to 2:00 p.m.

Tuesday, August 29

- 9:00 a.m. – 10:30 a.m. **W-1 Main Concepts and Measurements Used in Monetary Policy Analysis**
Facilitated by Mr. Davoodi
- Diagnosing inflation, core inflation, output gap, real exchange rate gap
 - Interest rates: Natural or equilibrium level interest rate, long term rates, short term rates
- 11:00 a.m. – 12:30 a.m. **L-4 Monetary Policy Transmission Mechanism (MTM)**
by Mr. Portillo
- Importance of understanding monetary policy transmission channels
 - How policy changes are transmitted to the real economy
 - Role of exchange rate pass-through and interest rates term structure in transmission in the MTM
- 2:00 p.m. – 3:30 p.m. **L-5 Operational Framework**
Lecture by Mr. Hurnik
- Central bank's balance sheet
 - How central banks manage reserves to implement monetary policy
 - How central bank instruments are employed to attain operational target and influence the real economy as desired
- 4:00 p.m. – 5:30 p.m. **CS-1 Monetary Policy Transmission Mechanism in developing countries**
Facilitated by Mr. Hurnik
- Long term rates
 - Interbank money market
 - Bank lending rates
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Wednesday, August 30

- 9:00 a.m. – 10:30 a.m. **L-6 Role of Central Bank Communications**
Lecture by Mr. Davoodi
- Why, what and how to communicate
 - Principles of effective communications, including forward guidance
- 11:00 a.m. – 12:30 a.m. **L-7 Forecasting and Policy Analysis System**
by Mr. Hurnik
- The importance of forward looking monetary policy
 - Organization of the forecast
 - The role of reporting; the forecasting and policy analysis system (FPAS)

- 2:00 p.m. – 3:30 p.m. **L-8 Comparing Monetary Policy Frameworks**
Lecture by Mr. Davoodi
- Monetary policy frameworks: role of strategy (goals) and tactics (instruments, operating target), available choices of nominal anchor
 - Evolution of frameworks and interaction with exchange rate regimes v to choose and strengthen monetary policy frameworks
- 4:00 p.m. – 5:30 p.m. **L-9 A Quantitative Framework for Monetary Policy Analysis**
Lecture by Mr. Hurnik
- Role of models in systematic monetary policy analysis
 - Monetary policy transmission in a simple structural model under various frameworks (modeled by simple policy reaction functions)
 - Role of subsequent hands-on workshops; what will be done, and how the results would look like
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Thursday, August 31

- 9:00 a.m. – 10:30 a.m. **W-2 Role of Model-Based Monetary Policy Analysis**
Facilitated by Mr. Hurnik
- Presenting the graphical user interactive interface (GUI), overview of the workshop, and basic description of data
 - Compare impulse responses for main economic variables following aggregate supply shocks: (i) increase in core inflation, and in (ii) domestic food prices, in all frameworks/regimes
 - Compare impulse responses for main economic variables following a negative aggregate demand shock, in each regime
- 11:00 a.m. – 12:30 a.m. **L-10 Monetary Policy in Hard Pegs**
Lecture by Mr. Portillo
- Why countries fix their exchange rate; pros and cons for a fixed exchange rate system, and when these regimes work best
 - How monetary policy operates in hard and soft pegs
 - Monetary policy in a currency union: one instrument; asymmetric transmission of shocks; the role of the exchange regime for the union
- 2:00 p.m. – 3:30 p.m. **W-3 Workshop on Monetary Policy in Hard Pegs**
Facilitated by the counselors
- The response of the model economy to core inflation, aggregate demand, foreign output, foreign inflation, and terms of trade shocks
 - Compare the response of the economy to different shocks depending on the degree of price flexibility
 - Using the case of Latvia in 2008 Q1, study how the economy reacts to a negative output and inflation shock
 - Discuss the forecast and potential impact on the Latvian economy of two policy options in 2008 Q1: (i) maintaining the currency board (internal devaluation) and (ii) floating (external depreciation)

- 4:00 p.m. – 5:30 p.m. **CS-2 Case Study on Monetary Policy in Hard Pegs**
 Facilitated by Mr. Portillo
- Actual developments in Latvia: compare model predictions with outcome, assess role of policies, and other developments
 - Further discuss the case of Latvia during the global financial crisis: policy trade-offs, the role of institutions allowing internal devaluation and the role of other policies to deliver the adjustment needed to maintain the currency board

Friday, September 1

- 9:00 a.m. – 10:30 a.m. **L-11 Monetary Policy in Reserve Money and Flexible Money Targeting and Evolving Regimes**
 Lecture by Mr. Hurnik
- Theoretical underpinnings: quantity theory, commitment to an intermediate target, transmission mechanism
 - Reserve money targeting in practice
 - Transition to flexible money targeting: changing roles of “price” vs. “quantity” and information content of monetary aggregates
- 11:00 a.m. – 12:30 a.m. **W-4 Workshop on Monetary Policy in Reserve Money and Flexible Money Targeting and Evolving Regimes**
 Facilitated by counselors
- The response of the model economy to core inflation, domestic demand, foreign output, and foreign inflation shocks
 - The response of the model economy to an increase in money demand, and in equilibrium money velocity
 - The response of the model economy to an increase in money demand under flexible money targeting
- 2:00 p.m. – 3:30 p.m. **W-4 (Continued)**
- Model fitted to Tanzania data to show how the economy responds to a money demand shock, the role of relaxing money targets and what is the optimal pace of tightening given inflation risks in 2010 Q3
 - Model fitted to discuss Uganda (flexible money targeting with managed float) to illustrate why the policy framework was reformed in 2011 Q2 (moving to inflation targeting lite)
- 4:00 p.m. – 5:30 p.m. **CS-3 Case Study on Monetary Policy in Reserve Money and Flexible Money Targeting and Evolving Regimes**
 Facilitated by Mr. Hurnik
- Tanzania: traditional reserve money targeting in practice
 - Uganda: evolving regime

Monday, September 4

9:00 a.m. – 10:30 a.m.	L-12	Monetary Policy in Inflation Targeting (IT) regimes by Mr. Davoodi <ul style="list-style-type: none">• Inflation targeting: an introduction and theoretical underpinnings• Empirical evidence of how effective IT is; pros and cons for implementing such a framework; policy tradeoffs• Operational and design issues in IT, including transitioning into IT and further into Inflation Forecast targeting (IFT)
11:00 a.m. – 12:30 a.m.	W-5	Workshop on Monetary Policy in Inflation Targeting regimes Facilitated by counselors <ul style="list-style-type: none">• The response of the model economy to core inflation, domestic demand, foreign output, foreign inflation, and equilibrium real exchange rate shocks• The role of central bank credibility illustrated through the response of the economy to aggregate supply and aggregate demand shocks and changes in parameters (Phillips curve and policy rule)
2:00 p.m. – 3:30 p.m.	W-5	(Continued) <ul style="list-style-type: none">• Model is fitted with data from Chile to illustrate the challenges of reacting to an inflationary shock during an economic recovery and policy options in 2010Q3• Importance of flexibility in exchange rate and central bank credibility under inflation targeting
4:00 p.m. – 5:30 p.m.	CS-4	Case Study on Monetary Policy in Inflation Targeting regimes: Chile Facilitated by Mr. Davoodi <ul style="list-style-type: none">• One of the first emerging markets to adopt IT, commodity rich• Role of institutions and coordination of policies for a successful IT

Tuesday, September 5

9:00 a.m. – 10:30 a.m.	L-13	Monetary Policy in Managed Exchange Rate Regimes Lecture by Mr. Portillo <ul style="list-style-type: none">• What is a hybrid monetary policy regime and what are its goals?• How these regimes work in practice?• Lessons learned and why those regimes are still chosen/implemented
11:00 a.m. – 12:30 a.m.	W-6	Workshop on Monetary Policy in Managed Exchange Rate Regimes Facilitated by Counselors <ul style="list-style-type: none">• The response of the model economy to core inflation, domestic demand, foreign output, foreign inflation• The response of the model economy to terms of trade and equilibrium real exchange rate shocks

2:00 p.m. – 3:30 p.m.	W-6	(Continued) <ul style="list-style-type: none"> Model fitted to discuss Malaysia (inflation targeting and managed float) to reflect policy options in 2008 Q3: tightening, or “wait and see”
4:00 p.m. – 5:30 p.m.	CS-5	Case Study on Monetary Policy in Managed Exchange Rate Regimes Facilitated by Mr. Portillo <ul style="list-style-type: none"> Discuss the model performance in relation to real data in Malaysia during the periods in question

Wednesday, September 6

9:00 a.m. – 10:30 a.m.	O-1	Monetary Policy Jeopardy: A review of the course Facilitated by Counselors
11:00 a.m. – 12:30 a.m.	L-14	Unconventional Monetary Policies Lecture by Mr. Hurnik <ul style="list-style-type: none"> What is quantitative easing (QE) and why it is needed What is the impact on the economy: monetary aggregates central bank balance sheet, inflationary impact; preparations for exiting these policies Spillovers on emerging market and lower income economies
2:00 a.m. – 3:30 p.m.	L-15	Monetary Policy, Financial Stability and Macro Prudential Policy Lecture by Mr. Portillo <ul style="list-style-type: none"> “Leaning against the wind” debate Tradeoffs between economic and financial stabilization, including when the economy is operating close to potential Risk taking channel, and implications for emerging market and low income countries How to implement macroprudential and monetary policies to avoid crises
4:00 p.m. – 5:30 p.m.	L-16	Policy in Fund Supported Programs Lecture by Mr. Davoodi <ul style="list-style-type: none"> Role of policy (especially monetary) conditionality in Fund supported programs Monetary policy conditionality under various frameworks: (i) fixed exchange rate regimes, (ii) money targeting, (iii) inflation targeting and (iv) evolving monetary policy regimes Experience with monetary policy targets in Fund supported programs: empirical evidence and adherence to program targets

Thursday, September 7

9:00 a.m. – 10:30 a.m. **P-1 Preparations for Participants' Presentations**
Facilitated by counselors

11:00 a.m. – 12:30 a.m. **P-1 Preparations for Participants' Presentations**
Facilitated by counselors

2:00 a.m. – 3:30 p.m. **Final quiz and course evaluations**

4:00 p.m. – 5:30 p.m. **P-1 Preparations for Participants' Presentations**

Friday, September 8

9:00 a.m. – 10:30 a.m. **P-1 Preparations for Participants' Presentations**

11:00 a.m. – 12:30 a.m. **P-1 Participants' Presentations**

12:30 p.m. – 1.15 p.m. **Concluding Session and Presentation of Certificates**
