



Stanley Fischer

EU membership will allow these economies to further build their financial systems.

Stanley Fischer (Citigroup and former IMF First Deputy Managing Director), in a paper he presented jointly with Ratna Sahay (IMF), examined the role of institutions and initial conditions in the transition process. In particular, Fischer rejected the charge that international financial organizations—and mainstream economists—paid inadequate attention to institution building. Institution building was taking place alongside macroeconomic stabilization policies, he said, and the econometric evidence suggests that institution building did, indeed, contribute to growth.

Political economy and end games

Based on joint work with Peter Isard, Allan Drazen (University of Maryland and Tel Aviv University) argued that an often-cited reason that IMF programs go off track is a lack of so-called program ownership, which loosely refers to a country's lack of commitment to a given set of reforms and stabilization policies specified in an IMF program, independent of incentives provided by multilateral organizations. Drazen provided a theoretical framework for the role of public discussion in building and demonstrating ownership, which, in turn, points to various directions in which IMF program design can be strengthened.

Finally, Michael Dooley (University of California at Santa Cruz) presented a model (based on joint work with David Folkerts-Landau and Peter Garber) to explain the current Chinese policy of keeping the

domestic currency undervalued in real terms. In Dooley's view, this policy's objective is to gradually absorb an unproductive labor force of around 200 million. Foreigners may be willing to bear the costs of this "beggar thy neighbor" policy in exchange for some form of access to markets. The end game would have the Chinese real wage converge to the world real wage once the excess labor has been absorbed. At that point, China will presumably be able to compete in world markets at the prevailing world real wage.

In a closing panel discussion chaired by Raghuram Rajan (Director of the IMF's Research Department), Guillermo Perry (World Bank Chief Economist for Latin America) and Ricardo Hausmann (Harvard University) commended Calvo and his coauthors for their efforts to explain the difficulties emerging market countries face in carrying out appropriate fiscal and monetary policies when they are confronted with problems of time inconsistency, sudden reversals in capital flows, and a fear of letting exchange rates float. Calvo himself had the last word, remarking on the strength and influence that participants at this conference had in giving substance and serious underpinnings to critical policy discussions in Latin American and elsewhere, which often translated into actual policy decisions. ■



Guillermo Perry

Papers presented at the conference are available at <http://www.imf.org/external/np/res/seminars/2004/calvo/index.htm>.

Available on the web (www.imf.org)

Press Releases

- 04/96: IMF to Establish Middle East Regional Technical Assistance Center in Lebanon, May 17 (see page 162)
- 04/97: Statement of the IMF Mission in Dominica, May 17
- 04/98: Joint Statement by IMF and Lebanese Ministry of Finance on Regional Conference on Fiscal Reforms in the Arab Countries, May 19
- 04/99: IMF Extends Ecuador's Stand-By Arrangement Repayment Expectation Dates, May 19

Public Information Notices

- 04/55: IMF Concludes 2004 Article IV Consultation with the Union of the Comoros, May 14
- 04/56: IMF Concludes 2004 Article IV Consultation with Barbados, May 14
- 04/57: IMF Concludes 2004 Article IV Consultation with the Republic of Belarus, May 19
- 04/58: IMF Concludes 2003 Article IV Consultation with The Gambia, May 18

Speeches

- Address by Anne O. Krueger, IMF Acting Managing Director, World Trade Organization General Council, Geneva, May 18
- "Willful Ignorance: The Struggle to Convince the Free Trade Skeptics," Anne O. Krueger, IMF Acting Managing Director, Graduate Institute of International Studies, Geneva, May 18
- Opening Remarks by Agustín Carstens, IMF Deputy Managing Director, Conference on Fiscal Reforms in the Arab Countries and the Near East, Beirut, May 18

Transcripts

- "Adopting the Euro in the New Member States: The Next Step in European Integration," IMF Economic Forum, May 4 (see page 162)
- Press Conference by Anne Krueger, IMF Acting Managing Director, May 6
- "Can Central Banks Be Outsourced? Issues in Money & Sovereignty," IMF Book Forum, May 11
- Press Briefing by Rodrigo Rato, IMF Managing Director Designate, May 11