



2013

ANNUAL MEETINGS
Washington, D.C.



PROGRAM
OF SEMINARS

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ACKNOWLEDGEMENTS



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Recommended Reading was prepared by the staff of the Library Network of the World Bank Group (WBG) and the International Monetary Fund (IMF), with contributions from IMF Departments who sponsored the IMF Seminars and suggested research for this compilation. A special thank you goes to the Communications Department (COM), African Department (AFR), Asia Pacific Department (APD), European Department (EUR), Fiscal Affairs Department (FAD), Monetary and Capital Markets Department (MCM), Research Department (RES), and the Strategy, Policy and Review Department (SPR).

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FOREWORD



Welcome to the 2013 Annual Meetings of the World Bank Group (WBG) and the International Monetary Fund (IMF). The Meetings bring together central bankers, ministers of finance and development, private sector executives, academics, representatives of civil society, and others to discuss issues impacting the global international economy and global development.

This year, for the first time, the Library Network, which serves the information needs of both organizations, is proud to support the IMF's high-level flagship **Program of Seminars**. The Program of Seminars offers a forum for debates around major challenges facing the international community. This year, seminar topics include emerging markets sustaining the momentum; policies for growth and jobs in Europe; taxation issues; frontier economies as the next generation of emerging markets; and unconventional monetary policies and exit strategies.

It is my great pleasure to launch the first issue of *Recommended Reading*, a complementary booklet for attendees. The publication offers a bibliography of current research from the IMF, the WBG, central banks, and other international financial institutions (IFIs) and organizations, together with additional background information on the economic and financial challenges confronting the world today.

I hope that *Recommended Reading* will help to keep discussions going beyond the meetings and promote new ideas and academic research toward finding sustainable solutions to global economic problems.

Frank Harnischfeger

Director of Technology and General Services Department
International Monetary Fund

PREFACE

“What unites our diverse members is that all are searching for new solutions to secure a more prosperous, more sustainable, and more inclusive future.”

- President Jim Kim, 2012 Annual Meetings.



Securing the more prosperous, sustainable, and inclusive future President Kim referred to requires access to reliable information and knowledge to inform our efforts to reduce poverty, increase shared prosperity, and protect monetary stability. Accessible, high-quality development literature plays an important role in this regard.

Recommended Reading offers timely suggestions for reading material on topics such as markets, taxation, monetary policies, and employment. Compiled by World Bank Group and International Monetary Fund researchers and information professionals, the booklet is a valuable resource for sharing and increasing access to and knowledge of available development literature.

The publications featured are publicly available and, as such, encourage knowledge exchange among development stakeholders across the globe. They provide a foundation for open discussion of the challenges facing the international community and encourage greater transparency, accountability, and public participation in the work of the WBG and IMF.

I would like to thank the Library Network—a partnership between the WBG and IMF—for connecting us to the latest thinking on some of the pressing development issues we face today.

Stephanie von Friedeburg

Chief Information Officer and Vice President
World Bank Group

INTRODUCTION

The Library Network of the World Bank Group (WBG) and the International Monetary Fund (IMF) is pleased to support the IMF Program of Seminars held during the 2013 Annual Meetings in Washington, D.C. This *Recommended Reading* booklet has been customized to meet the information needs of Annual Meetings attendees and non-attendees alike by highlighting resources from the IMF, the World Bank Group, and other public sources.

The booklet covers the most recent materials written on each of the seminar topics, which have been evaluated for quality, pertinence, and accuracy. When possible, links to the full text of a document have been included. Many of the publications are publicly available and may be accessed electronically from the websites of the World Bank Group (WBG) and the International Monetary Fund (IMF). Due to intellectual property rights requirements, some material is only available commercially or through university or other local libraries.

We encourage you to share *Recommended Reading* with others working in the field of international development. It will be available online on the Program of Seminars website at:

<http://www.imf.org/external/AM/2013/seminars.htm>

The Library Network of the World Bank Group and IMF
Washington, DC
October 2013

ABOUT THE PROGRAM

The 2013 Annual Meetings Program of Seminars bring together thought leaders and policy experts to discuss and debate issues that impact the global international economy and global development. Seminar topics include how to mobilize global actions to end extreme poverty; collaborate globally to boost jobs and growth and manage risks; sustain growth in advanced and emerging markets, frontier economies and fragile states; pursue inclusive growth as a foundation for shared prosperity; deal with the cross-country spillovers of unconventional monetary policies; make the economic case for climate action; and manage risks for development.

2013 Flagship Seminar

CNN DEBATE ON THE GLOBAL ECONOMY

Sponsored by IMF's Research Department and Communications Department

While conditions may be improving in some quarters, the world economy continues to struggle to jumpstart growth. Global growth remains subdued but its underlying dynamics are changing. Major advanced economies are seeing gradual improvement in activity, while key emerging economies have slowed. Private demand growth continues to recover in the U.S. and the euro area is beginning to emerge from recession. However, growth is slowing in China, India and an increasing number of emerging economies. At the same time, global financial conditions have tightened and market turbulence has hit several emerging markets with important vulnerabilities. Thus, risks—old and new—continue to dominate the outlook and some have become more prominent. Against this backdrop, cross-border spillovers may pose greater risks and new policy challenges are arising. The debate will focus on how policymakers could collaborate globally to better manage the risks and durably boost jobs and growth.



Angeloni, Ignazio, and Jean Pisani-Ferry. 2012.

“The G20: Characters in Search of an Author.” Bruegel Working Paper 2012/04, Bruegel, Brussels.

The G20 has produced mixed results. After initial high hopes and some success, negotiations within the G20 forum have slowed, progress is less visible and disagreement rather than agreement has come to the fore. Against this background, this paper revisits the basic economic and geopolitical motivations for the G20, in order to review its performance and attempt to draw lessons for the path ahead.

■ <http://www.bruegel.org/publications/publication-detail/publication/714-the-g20-characters-in-search-of-an-author/>

Bernanke, Ben S. 2013.

***The Federal Reserve and the Financial Crisis.* Princeton, NJ: Princeton University Press.**

In 2012, Ben Bernanke, chairman of the U.S. Federal Reserve, gave a series of lectures about the Federal Reserve and the 2008 financial crisis, as part of a course at George Washington University on the role of the Federal Reserve in the economy. In this unusual event, Bernanke revealed important background and insights into the central bank's crucial actions during the worst financial crisis since the Great Depression. Taken directly from these historic talks, *The Federal Reserve and the Financial Crisis* offers insight into the guiding principles behind the Fed's activities and the lessons to be learned from its handling of recent economic challenges.

Blanchard, Olivier, Florence Jaumotte, and Prakash Loungani. 2013.

“Labor Market Policies and IMF Advice in Advanced Economies during the Great Recession.” IMF Staff Discussion Note SDN/13/02, International Monetary Fund, Washington, DC.

This paper does two things. First, it articulates what are the main implications of theoretical and empirical research for design of labor market policies and labor market institutions. Second, in this light, the paper analyzes the IMF's labor market recommendations since the beginning of the crisis, both in general, and more specifically in program countries.

■ [http://www.elibrary.imf.org/view/IMF006/20363-9781484301289/20363-9781484301289/20363-9781484301289.xml?rskey=S7JNjv&result=1&q=labor market policies imf advice](http://www.elibrary.imf.org/view/IMF006/20363-9781484301289/20363-9781484301289/20363-9781484301289.xml?rskey=S7JNjv&result=1&q=labor%20market%20policies%20imf%20advice)

Blanchard, Olivier J., David Romer, Michael Spence and Joseph E. Stiglitz. 2012.

***In the Wake of the Crisis: Leading Economists Reassess Economic Policy.* Cambridge, MA: MIT Press.**

In 2011, the International Monetary Fund invited prominent economists and economic policy makers to consider the brave new world of the post-crisis global economy. The result is a book that captures the state of macroeconomic thinking at a transformational moment.

Blanchard, Olivier and Gian-Maria Milesi-Ferretti. 2011.

“(Why) Should Current Account Balances Be Reduced?” IMF Staff Discussion Note SDN/11/03, International Monetary Fund, Washington, DC.

This Staff Discussion Note was inspired by the G-20's request to the IMF to help develop “indicative guidelines” for the reduction of global current account imbalances. Its purpose is to discuss two complex issues. First, why might a country want to reduce its current account deficit or surplus? And second, why might the international community ask for more? Answers to these questions are needed to inform the design of “rules of the game” that countries should abide by, and contribute to the development of corresponding “indicative guidelines.”

■ <http://www.imf.org/external/pubs/ft/sdn/2011/sdn1103.pdf>

Blanchard, Olivier, Giovanni Dell'Ariccia, and Paolo Mauro. 2013.

“Rethinking Macroeconomic Policy II: Getting Granular.” IMF Staff Discussion Note SDN/13/03, International Monetary Fund, Washington, DC.

This paper discusses how the economic thinking about macroeconomic management has evolved since the crisis began. It discusses developments in monetary policy, including unconventional measures; the challenges associated with increased public debt; and the policy potential, risks, and institutional challenges associated with new macroprudential measures.

■ <http://www.imf.org/external/pubs/ft/sdn/2013/sdn1303.pdf>

Bremmer, Ian. 2012.

Every Nation for Itself: Winners and Losers in a G-Zero World. New York: Portfolio/Penguin.

For the first time in seven decades, there is no single power or alliance of powers ready to take on the challenges of global leadership. A generation ago, the United States, Europe, and Japan were the world's powerhouses, the free-market democracies that propelled the global economy forward. Today, they struggle just to find their footing. Acclaimed geopolitical analyst Ian Bremmer argues that the world is facing a leadership vacuum. The diverse political and economic values of the G20 have produced global gridlock.

Burns, Andrew, and Theo Janse van Rensburg. 2013.

Less Volatile, But Slower Growth. Global Economic Prospects, vol. 7. Washington, DC: World Bank.

The global economy appears to be transitioning toward a period of more stable, but slower growth. Financial conditions in high-income countries have improved and risks are down, but growth remains subdued, especially in Europe. Growth is firming in developing countries, but conditions vary widely across economies. Most developing countries have recovered from the crisis, so room for additional acceleration is limited. Although acute risks in high-income countries are down, more modest downside risks linger as these economies continue to adjust.

■ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/06/17/000442464_20130617125608/Rendered/PDF/784860PUB0EPI00C00PUBDATE0601302013.pdf

Canuto, Otaviano, and Danny M. Leipziger. 2012.

Ascent After Decline: Regrowing Global Economies After the Great Recession. Washington, DC: World Bank.

This volume combines the analyses of leading experts on the various elements affecting economic growth and the policies required to spur that growth. The book identifies the main challenges.

■ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/01/19/000333037_20120119233158/Rendered/PDF/664500PUB0EPI00ecline09780821389423.pdf

Claessens, Stijn, Simon Evenett, and Bernard Hoekman. 2010.

Rebalancing the Global Economy: A Primer for Policymaking. Washington, DC: World Bank.

As the world economy recovers, developing countries will need to rely on international markets including dynamic emerging markets, as a source of demand to revitalize economic growth. A key lesson looking forward is that markets must remain open so that less developed countries tap into the more dynamic emerging markets. Resurgent global current account balances pose a threat in this regard.

■ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2010/08/05/000334955_20100805060250/Rendered/PDF/560630PUB0Box31an0global1imbalances.pdf

Faruqee, Hamid, and Krishna Srinivasan. 2012.

“The G-20 Mutual Assessment Process: A Perspective from IMF Staff.” *Oxford Review of Economic Policy* 28 (3): 493–511.

In the wake of the financial crisis, G-20 leaders launched a framework to mutually assess their policies to help strengthen the global economy. This article reflects on the experience so far with the Mutual Assessment Process (MAP). It looks at the coordination problem facing G-20 economies with respect to the need for global rebalancing of demand. While a classic “coordination failure” has some appeal, a more compelling case for policy cooperation is based on the role of spillovers and interdependence.

■ <http://oxrep.oxfordjournals.org/content/28/3/493.abstract>

International Labour Organization. 2013.

Global Employment Trends 2013: Recovering From a Second Jobs Dip. Geneva: International Labour Office.

Five years after the outbreak of the global financial crisis, the *Global Employment Trends 2013* offers the latest global and regional information and projections on several indicators of the labor market, including employment, unemployment, working poverty and vulnerable employment. It also presents policy considerations in light of the new challenges facing policy makers in the coming year.

■ <http://www.ilo.org/global/research/global-reports/global-employment-trends/2013/lang--en/index.htm>

International Monetary Fund. 2012.

“The Crisis and Beyond.” Special Issue, *Finance & Development* 49 (2): 8-31.

Five years after the first stirrings of the crisis, some countries have recovered, but others are still struggling. This special issue looks at the world today and sees a complex and mixed picture for the future of the world economy. The article entitled “Tracking the Global Recovery” shows that most emerging markets seem to have moved on from the effects of the crisis, but most advanced economies have not. “Fixing the System” looks at how the pace of reforms to strengthen financial regulation has now slowed.

■ http://elibrary.imf.org/view/IMF022/A2129-9781451922202/A2129-9781451922202/Other_formats/Source_PDF/A2129-9781463963934.pdf

International Monetary Fund. 2013.

***Global Financial Stability Report: Old Risks, New Challenges.* Washington, DC: International Monetary Fund.**

The April 2013 *Global Financial Stability Report* examines current risks facing the global financial system and policy actions that may mitigate these. The report analyzes the key challenges facing financial and non-financial firms as they continue to repair their balance sheets and unwind public and private debt overhangs.

■ <http://www.imf.org/External/Pubs/FT/GFSR/2013/01/index.htm>

International Monetary Fund. 2012.

***Global Financial Stability Report: Restoring Confidence and Progressing on Reforms.* Washington, DC: International Monetary Fund.**

The October 2012 *Global Financial Stability Report* finds increased risks to the global financial system, with the euro area crisis the principal source of concern. The report urges policymakers to act now to restore confidence, reverse capital flight, and reintegrate the euro zone. In both Japan and the United States, steps are needed toward medium-term fiscal adjustment. Emerging market economies have successfully navigated global shocks thus far, but need to guard against future shocks while managing a slowdown in growth.

■ <http://www.imf.org/External/Pubs/FT/GFSR/2012/02/index.htm>

International Monetary Fund. 2013.

***Global Prospects and Policy Challenges.* Washington, DC: International Monetary Fund.**

This note was prepared for the meetings of G-20 Finance Ministers and Central Bank Governors, July 19–20, 2013, held in Moscow. The note discusses how the strength of the recovery disappointed once again and the outlook has weakened somewhat. Global growth improved from 2¼ percent (annual rate) in 2012Q4 to 2¾ percent in 2013Q1, but this was weaker than projected in the April WEO. The July WEO outlook is for lower growth in both 2013 and 2014, reflecting inter alia a delayed recovery in the euro area, as well as weaker growth in emerging economies.

■ <http://www.imf.org/external/np/g20/pdf/2013/071913.pdf>

International Monetary Fund. 2013.

***Imbalances and Growth.* Washington, DC: International Monetary Fund.**

The document will be released ahead of G-20 Summit and available by time of debate as part of the IMF G-20 Surveillance Notes.

■ <http://www.imf.org/external/ns/cs.aspx?id=249>

International Monetary Fund. 2013.

“IMF Multilateral Policy Issues Report: 2013 Spillover Report.” IMF Policy Paper, International Monetary Fund, Washington, DC.

The key questions for this year’s spillover report are: to what extent have policies of the S5 over the past year—e.g., the Outright Monetary Transactions (OMT) program and steps toward a Banking Union, more quantitative or credit easing, Abenomics, fiscal consolidation—had positive spillovers, and how do they net out with any adverse side effects? Considering both current policies and future plans, are positive spillovers sustainable, or are there adverse spillover risks to worry about? And might different policies in the S5 be preferable from the global standpoint?

■ <http://www.imf.org/external/np/pp/eng/2013/070213.pdf>

International Monetary Fund. 2012.

***World Economic Outlook: Coping with High Debt and Sluggish Growth.* Washington, DC: International Monetary Fund.**

The October 2012 *World Economic Outlook* assesses the prospects for the global recovery in light of such risks as the ongoing euro area crisis and the “fiscal cliff” facing U.S. policymakers. Reducing the risks to the medium-term outlook implies reducing public debt in the major advanced economies.

■ <http://www.imf.org/external/pubs/ft/weo/2012/02/>

International Monetary Fund. 2013.

World Economic Outlook: Hopes, Realities, and Risks. Washington, DC: International Monetary Fund.

The April 2013 WEO looks at how global economic prospects have improved again; however, the bumpy recovery and skewed macroeconomic policy mix in advanced economies are complicating policymaking in emerging market economies.

■ <http://www.imf.org/external/pubs/ft/weo/2013/01/>

Kose, M. Ayhan, and Eswar Prasad. 2010.

Emerging Markets: Resilience and Growth Amid Global Turmoil. Washington: Brookings.

Emerging market economies (EMEs) have become the darlings of international investors and the focus of enormous attention in academic, media, and policy circles. M. Ayhan Kose and Eswar Prasad present the definitive account of the evolution of EMEs and use the lens of the global financial crisis to evaluate their strengths and weaknesses.

Krueger, Anne O. 2012.

Struggling With Success: Challenges Facing the International Economy. Hackensack, NJ: World Scientific.

This book discusses the successes of globalization, and some of the challenges and ways to enhance the benefits and reduce the costs. Aspects of globalization, sovereign debt restructuring, development of the financial sector and financial crises in Asia, Turkey, Brazil, etc. are some of the main topics. The book also covers multilateral international organizations, namely the World Trade Organization, the IMF and the World Bank.

McKinsey Global Institute. 2013.

Financial Globalization: Retreat or Reset? New York: McKinsey & Co.

For three decades, the globalization of finance appeared to be an unstoppable trend: as the world

economy became more tightly integrated, new technology and access to new markets propelled cross-border capital flows to unprecedented heights. But the financial crisis brought that era of rapid growth to a halt.

■ http://www.mckinsey.com/insights/global_capital_markets/financial_globalization

Organisation for Economic Co-operation and Development. 2011.

Future Global Shocks: Improving Risk Governance. Paris: OECD.

Recent global shocks, such as the 2008 financial crisis, have driven policy makers and industry strategists to re-examine how to prepare for and respond to events that can begin locally and propagate around the world with devastating effects on society and the economy. This report considers how the growing interconnectedness in the global economy could create the conditions and vectors for rapid and widespread disruptions.

■ www.oecd.org/dataoecd/7/55/48329024.pdf

Organisation for Economic Co-operation and Development. 2013.

OECD Employment Outlook 2013. Paris: OECD.

The *OECD Employment Outlook 2013* looks at labour markets in the wake of the crisis. It also includes chapters on employment protection legislation; benefit systems, employment and training programmes and re-employment earnings and skills after job loss.

■ <http://www.oecd.org/els/emp/oecdemployment-outlook.htm>

Spence, Michael. 2011.

The Next Convergence: The Future of Economic Growth in a Multispeed World. New York: Farrar, Straus and Giroux.

The author describes how the recent period of growth in developing countries is leading to a convergence with the advanced countries, or developed world. He lays out a framework for how the global economy will develop over the next fifty years, and offers much needed wisdom on how to sustain economic growth in advanced and developing countries.

Timmer, Hans, Mansoor Dailami, Jacqueline Irving, Robert Hauswald, and Paul Masson. 2011.

Global Development Horizons 2011. Multipolarity: The New Global Economy.
Washington, DC: World Bank.

The world economy is in the midst of a transformative change. One of the most visible outcomes of this transformation is the rise of a number of dynamic emerging-market countries to the helm of the global economy. It is likely that, by 2025, emerging economies, such as Brazil, China, India, Indonesia, and the Russian Federation, will be major contributors to global growth, alongside the advanced economies.

■ http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2011/06/20/000333037_20110620010206/Rendered/PDF/626980PUB0Mult000public00BOX361489B.pdf

World Bank. 2012.

World Development Report 2013: Jobs
Washington DC: World Bank.

The 2013 *World Development Report* on jobs explains and analyzes the connection between jobs and important dimensions of economic and social development. It provides analytical tools to identify the obstacles to sustained job creation and examine differences in the nature of jobs.

■ <http://documents.worldbank.org/curated/en/2012/10/16800330/jobs>

GENERAL REFERENCES

International Monetary Fund.

Global Financial Stability Report. Washington, DC: International Monetary Fund. Semi-annual.

The *Global Financial Stability Report* provides an assessment of the global financial system and markets, and addresses emerging market financing in a global

context. It focuses on current market conditions, highlighting systemic issues that could pose a risk to financial stability and sustained market access by emerging market borrowers.

■ <http://www.imf.org/external/pubs/ft/gfsr/index.htm>

International Monetary Fund.

Spillover Report. Washington, DC: International Monetary Fund. Annual.

The *Spillover Report* examines the external effects of domestic policies in five systemic economies (S5), comprising China, the Euro Area, Japan, the United Kingdom, and the United States. The report aims to provide an added perspective to the policy line developed in the Article IV discussions with these entities and an input into the Fund's broader multi-lateral surveillance.

■ <http://www.imf.org/external/np/pp/eng/2012/070912.pdf>

International Monetary Fund.

World Economic Outlook. Washington, DC: International Monetary Fund. Semi-annual.

The WEO presents IMF staff economists' analyses of global economic developments during the near and medium term. Chapters give an overview as well as more detailed analysis of the world economy; consider issues affecting industrial countries, developing countries, and economies in transition to market; and address topics of pressing current interest.

■ <http://www.imf.org/external/ns/cs.aspx?id=29>

2013 Flagship Seminar

EMERGING MARKETS Restoring Momentum

Sponsored by IMF's Strategy, Policy and Review Department

Emerging markets (EMs) have played an increasingly important role in global economic activity, accounting for nearly half of global output. But EM growth performance has been more mixed since the global financial crisis, and more recently many EMs have been slowing down. Why are EMs slowing down, and will it continue? How will EMs be affected by tighter external financial conditions and less buoyant commodity prices? What are the key growth challenges facing EMs in the next 5-10 years? Which countries are likely to have a significant bearing on growth in the period ahead? This seminar will focus on the key challenges facing EMs and policy choices to ensure stability and restore the momentum of high growth.



Abiad, Abdul, John Bluedorn, Jaime Guajardo, and Petia Topalova. 2012.

“The Rising Resilience of Emerging Market and Developing Economies.” IMF Working Paper WP/12/300, International Monetary Fund, Washington, DC.

This paper documents the history of EMDE’s resilience over the past sixty years, and investigate what factors have been associated with it. The authors find that improved performance in recent years is accounted for by both good policies and a lower incidence of external and domestic shocks—better policies account for about three-fifths of their improved resilience, while less frequent shocks account for the remainder.

■ <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40182.0>

Agenor, Pierre-Richard, and Otaviano Canuto. 2012.

“Middle Income Growth Traps.” Policy Research Working Paper WPS 6210, World Bank, Washington, DC.

This working paper studies the existence of middle-income growth traps in a two-period overlapping generations model of economic growth with two types of labor and endogenous occupational choices. It also distinguishes between “basic” and “advanced” infrastructure, with the latter promoting design activities, and accounts for a knowledge network externality associated with product diversification.

■ http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000158349_20120926083026

Aiyar, Shekhar, Romain Duval, Damien Puy, Yiqun Wu, and Longmei Zhang. 2013.

“Growth Slowdowns and the Middle-Income Trap.” IMF Working Paper WP/13/71, International Monetary Fund, Washington, DC.

The “middle-income trap” is the phenomenon of hitherto rapidly growing economies stagnating at middle-income levels and failing to graduate into the ranks of high-income countries. This study examines the middle-income trap as a special case of growth slowdowns, which are identified as large sudden and sustained deviations from the growth path predicted

by a basic conditional convergence framework. Authors examine their determinants by means of probit regressions, looking into the role of institutions, demography, infrastructure, the macroeconomic environment, output structure and trade structure.

■ <http://www.imf.org/external/pubs/ft/wp/2013/wp1371.pdf>

Belhocine, Nazim, and Salvatore Dell’Erba. 2013.

“The Impact of Debt Sustainability and the Level of Debt on Emerging Markets Spreads.” IMF Working Paper WP/13/93, International Monetary Fund, Washington, DC.

This paper focuses on how financial markets respond to concerns over debt sustainability is studied with a focus on the level of public debt in emerging markets. A measure of debt sustainability—the difference between the debt stabilizing primary balance and the primary balance—is introduced and applied to a panel of 26 emerging economies. Findings show that debt sustainability is an important determinant of spreads and that market interest rates react more to debt sustainability in a country with a high level of debt compared to a country with a low level of debt.

■ <http://www.elibrary.imf.org/view/IMF001/20444-9781484382769/20444-9781484382769/20444-9781484382769.xml>

Berg, Andrew G., and Jonathan D. Ostry. 2011.

“Inequality and Unsustainable Growth: Two Sides of the Same Coin.” IMF Staff Discussion Note SDN/11/08, International Monetary Fund, Washington, DC.

This Staff Discussion Note focuses on the duration of growth spells—defined as the interval starting with a growth upbreak and ending with a downbreak—and on the links between duration and various policies and country characteristics, including income distribution. It turns out that many of even the poorest countries have succeeded in initiating growth at high rates for a few years. What is rarer—and what separates growth miracles from laggards—is the ability to sustain growth. The question then becomes: what determines the length of growth spells, and what is the role of income inequality in duration?

■ <http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>

Buiter, Willem, and Ebrahim Rahbari. 2011.

Global Growth Generators: Moving Beyond “Emerging Markets” and “BRIC.” New York, NY: Citigroup Global Markets.

The authors introduce the Global Growth Generators or 3G: the countries, regions, cities, trade corridors, sectors, industries, firms, technologies, products and asset classes that over the next 5, 10, 20 and 40 years are expected to deliver high growth and profitable investment opportunities. The paper sets out a framework for thinking about the drivers of global growth and investment opportunities and helps researchers, analysts, strategists and finance professionals organize facts, insights, and ideas about the drivers of growth and investment opportunities all over the world.

■ <http://www.investphilippines.info/arangkada/wp-content/uploads/2011/07/Citi-Global-Growth-Generators.pdf>

Dabla-Norris, Era, Alun H. Thomas, Rodrigo Garcia-Verdu, and Yingyuan Chen. 2013.

“Benchmarking Structural Transformation Across the World.” IMF Working Paper WP/13/176, International Monetary Fund, Washington, DC.

This paper documents stylized facts on the process of structural transformation around the world and empirically analyzes its determinants using data on real value added by sector of economic activity (agriculture, manufacturing and services) for a panel of 168 countries over the period 1970-2010. The analysis points to large differences in sector shares both across and within regions as well as for countries at similar levels of economic development.

■ <http://www.imf.org/external/pubs/ft/wp/2013/wp13176.pdf>

Eichengreen, Barry, Donghyun Park, and Kwanho Shin. 2012.

“When Fast Growing Economies Slow Down: International Evidence and Implications for China.” NBER Working Paper No. 16919, National Bureau of Economic Research, Cambridge, MA.

This NBER paper constructs a sample of cases where fast-growing economies slow down. The evidence suggests that rapidly growing economies slow down significantly, in the sense that the growth rate downshifts by at least 2 percentage points, when their per

capita incomes reach around \$17,000 US in year-2005 constant international prices, a level that China should achieve by or soon after 2015. Growth slowdowns are more likely in countries that maintain undervalued real exchange rates.

■ <http://www.nber.org/papers/w16919>

Eichengreen, Barry, Donghyun Park, and Kwanho Shin. 2013.

“Growth Slowdowns Redux: New Evidence on the Middle-Income Trap.” NBER Working Paper No. 18673, National Bureau of Economic Research, Cambridge, MA.

This document concludes that high growth in middle-income countries may decelerate in steps rather than at a single point in time. This implies that a larger group of countries is at risk of a growth slowdown and that middle-income countries may find themselves slowing down at lower income levels than implied by authors’ earlier estimates. Slowdowns are less likely in countries where the population has a relatively high level of secondary and tertiary education and where high-technology products account for a relatively large share of exports.

■ <http://www.nber.org/papers/w18673>

Euromoney/Institutional Investor.

“Emerging Markets: News, Analysis and Opinion.” A website.

This free website is a unique source of news, analysis and commentary on economic policy, international economics and global financial markets, with a special focus on the emerging world. The website is created by the editorial team that runs the daily news magazine of the same name. The print edition is produced during the annual meetings of the IMF, World Bank and regional development banks, where it has been the most widely read and respected publication for the last 25 years.

■ <http://www.emergingmarkets.org/>

Felipe, Jesus, Arnelyn Abdon and Utsav Kumar. 2012.

“Tracking the Middle-Income Trap: What Is It, Who Is in It, and Why?” Levy Economics Institute Working Paper No. 715, Levy Economics Institute of Bard College, New York.

This working paper provides a working definition of what the middle-income trap is. Avoiding the

middle-income trap is a question of how to grow fast enough so as to cross the lower-middle-income segment in at most 28 years, and the upper-middle-income segment in at most 14 years. The paper proposes and analyzes one possible reason why some countries get stuck in the middle-income trap: the role played by the changing structure of the economy.

■ http://www.levyinstitute.org/files/download.php?file=wp_715.pdf&pubid=1526

Flaen, Aaron, Ejaz Ghani, and Saurabh Mishra. 2013.

“How to Avoid Middle Income Traps? Evidence from Malaysia.” Policy Research Working Paper WPS 6427, World Bank, Washington DC.

This research paper examines productivity growth for Malaysia at the sector level, and constructs several measures of the sophistication of goods and services trade. The research then puts these comparisons into a global context. The results indicate that Malaysia has further opportunities for growth in the services sector in particular. Modernizing the services sector may provide a way out of the middle income trap, and serve as a source of growth for Malaysia into the future.

■ <http://documents.worldbank.org/curated/en/2013/04/17636328/avoid-middle-income-traps-evidence-malaysia-avoid-middle-income-traps-evidence-malaysia>

Ghosh, Atish, Marcos Chamon, Christopher Crowe, Jun I. Kim, and Jonathan D. Ostry. 2009.

“Coping with the Crisis: Policy Options for Emerging Market Countries.” IMF Staff Position Note SPN/09/08, International Monetary Fund, Washington, DC.

This IMF paper outlines policies to help solve the debt overhang and bring about recovery in both groups of countries. A key ingredient will be greater official financing to expand the “policy space” available to EMEs to pursue supportive macroeconomic policies—including, in countries with large debt overhangs, by helping to meet the fiscal outlays (such as bank recapitalization costs) associated with the resolution of that overhang.

■ <http://www.imf.org/external/pubs/ft/spn/2009/spn0908.pdf>

Hausmann, Ricardo, Jason Hwang, and Dani Rodrik. 2005.

“What You Export Matters.” NBER Working Paper No. 11905, National Bureau of Economic Research, Cambridge, MA.

When local cost discovery generates knowledge spillovers, specialization patterns become partly indeterminate and the mix of goods that a country produces may have important implications for economic growth. The authors demonstrate this proposition formally and adduce some empirical support for it. They construct an index of the “income level of a country’s exports,” document its properties, and show that it predicts subsequent economic growth.

■ <http://www.nber.org/papers/w11905>

Hausmann, Ricardo, and Bailey Klingler. 2006.

“Structural Transformation and Patterns of Comparative Advantage in the Product Space.” CID Working Paper No. 128, Center for International Development at Harvard University, Cambridge, MA.

The analysis in this paper examines product space and its consequences for the process of structural transformation. The authors argue that the assets and capabilities needed to produce one good are imperfect substitutes for those needed to produce other goods, but the degree of asset specificity varies widely. Given this, the speed of structural transformation will depend on the density of the product space near the area where each country has developed its comparative advantage.

■ http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-programs/centers/cid/publications/faculty/wp/128.pdf

Hausmann, Ricardo, Lant Pritchett, and Dani Rodrik. 2004.

“Growth Accelerations.” NBER Working Paper No. 10566, National Bureau of Economic Research, Cambridge, MA.

This analysis focuses on turning points in growth performance and looks for instances of rapid acceleration in economic growth that are sustained for at least eight years. It also identifies more than 80 such episodes since the 1950s. Growth accelerations tend to be correlated with increases in investment and trade, and with real exchange rate depreciations. Political-

regime changes are statistically significant predictors of growth accelerations. External shocks tend to produce growth accelerations that eventually fizzle out, while economic reform is a statistically significant predictor of growth accelerations that are sustained.

■ <http://www.nber.org/papers/w10566>

Jankowska, Anna, Arne Nagengast, and Jose Ramon Perea. 2012.

“The Product Space and the Middle-Income Trap: Comparing Asian and Latin American Experiences.” OECD Development Center Working Paper No. 311, Organization for Economic Co-operation and Development, Paris.

This OECD paper focuses on Latin America in particular because, contrary to other regions, Latin America hosts very limited cases of effective transitions from middle to high income levels. This is particularly noteworthy given that several Latin American countries were middle-income long before many others in Asia or Europe. Robust economic growth and resilience to the international financial crisis observed in Latin America over the last decade has slightly reduced the distance with advanced economies, nonetheless, income convergence with the latter remains far on the horizon.

■ <http://www.oecd.org/dev/50249524.pdf>

Jaumotte, Florence, Helene Poirson, Nikola Spatafora, Khuong Vu, Christian de Guzman, and Patrick Hettinger. 2006.

“Asia Rising: Patterns of Economic Development and Growth.” In *World Economic Outlook: Financial Systems and Economic Cycles*, 75-104. Washington, DC: International Monetary Fund.

This chapter of the *World Economic Outlook* looks at relative growth performance across Asia, with a focus on sources of growth differences, both within Asia, and compared with other regions. It finds that Asia’s remarkable growth performance reflects strong total factor productivity (TFP) growth, as well as rapid accumulation of both physical and human capital. These accomplishments were driven by a more favorable institutional and policy environment than observed in other developing economies, including in particular greater trade openness, macroeconomic stability, financial development, and in many cases educational attainment.

■ <http://www.imf.org/external/pubs/ft/weo/2006/02/pdf/c3.pdf>

Kose, Ayhan, and Eswar Prasad. 2010.

“Resilience of Emerging Market Economies to Economic and Financial Developments in Advanced Economies.” Economic Papers No. 411, European Commission Directorate-General for Economic and Financial Affairs, Brussels.

This research provides a comprehensive analysis of the changes in the nature of cyclical linkages between the advanced economies and the EMEs in order to analyze the resilience of the latter group to global economic and financial developments. The core fundamentals of the EMEs suggest that most of these countries have the potential to generate sustained high growth over the longer term, so it is likely that the shift in the locus of global growth from the advanced economies to the EMEs will continue.

■ http://ec.europa.eu/economy_finance/publications/economic_paper/2010/pdf/ecp411_en.pdf

Lin, Justin Yifu, and Treichel Volker. 2012.

“Learning from China’s Rise to Escape the Middle-Income Trap: A New Structural Economics Approach to Latin America.” Policy Research Working Paper WPS 6165, World Bank, Washington, DC.

The document discusses the causes of the middle-income trap in Latin America and the Caribbean and identifies the challenges and opportunities for Latin America that come from China’s rise. It also draws lessons from new structural economics and the growth identification and facilitation Framework to help Latin America escape the middle-income trap.

■ http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/08/10/000158349_20120810155429/Rendered/PDF/WPS6165.pdf

McMillan, Margaret, and Dani Rodrik. 2011.

“Globalization, Structural Change and Productivity Growth.” NBER Working Paper No. 17143, National Bureau of Economic Research, Cambridge, MA.

Large gaps in labor productivity between the traditional and modern parts of the economy are a fundamental reality of developing societies. The paper documents these gaps, and emphasizes that labor flows from low-productivity activities to high-productivity activities are a key driver of development. The results show that since 1990 structural change

has been growth reducing in both Africa and Latin America, with the most striking changes taking place in Latin America.

■ <http://www.nber.org/papers/w17143>

Palley, Thomas. 2012.

“The Rise and Fall of Export-Led Growth.” Levy Economics Institute Working Paper No. 675, Levy Economics Institute of Bard College, Annandale-on-Hudson, NY.

This study traces the rise of export-led growth as a development paradigm and argues that it is exhausted owing to changed conditions in emerging market (EM) and developed economies. The global economy needs a recalibration that facilitates a new paradigm of domestic demand-led growth. Globalization has so diversified global economic activity that no country or region can act as the lone locomotive of global growth.

■ http://www.levyinstitute.org/pubs/wp_675.pdf

Parente, Stephen, and Edward Prescott. 1999.

“Barriers to Riches.” Third Walras-Pareto Lecture, University of Lausanne, Lausanne, Switzerland.

Differences in living standards across countries are huge. Even after adjusting for differences in relative prices and factoring in household production, the typical person living in a rich country, such as the United States or Switzerland, is 20 to 30 times richer than the typical person living in a poor country, such as Haiti or Nigeria. One of the most important questions facing economists today is: Why do international incomes differ by so much? Or why isn't the whole world as rich as the United States or Switzerland?

■ <http://www.sfu.ca/~dandolfa/barrierstoriches.pdf>

Pritchett, Lant. 2000.

“Understanding Patterns of Economic Growth: Searching for Hills among Plateaus, Mountains and Plains.” *World Bank Economic Review* 14 (2): 221-50.

While some countries have steady growth (hills and steep hills), others have rapid growth followed by stagnation (plateaus), rapid growth followed by decline (mountains) or even catastrophic falls (cliffs), continuous stagnation (plains), or steady decline (valleys). Volatility, however defined, is also much greater in developing than in industrial countries.

Research into what initiates (or halts) episodes of growth has high potential.

■ http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000094946_00101105374172

Rodrik, Dani. 2011.

“The Future of Economic Convergence.” NBER Working Paper No. 17400, National Bureau of Economic Research, Cambridge, MA.

Growth in the developing world should depend not on growth in the advanced economies themselves, but on the difference in the productivity levels of the two groups of countries—on the “convergence gap”—which remains quite large. Yet much of this convergence potential is likely to go to waste. Convergence is anything but automatic, and depends on sustaining rapid structural change in the direction of tradables such as manufacturing and modern services.

■ <http://www.nber.org/papers/w17400>

Singh, Anoop. 2013

“Emerging Asia: At Risk of the ‘Middle-Income Trap’?” *iMFdirect* (blog), April 29, 2013.

Emerging economies in Asia have weathered the global financial crisis relatively unscathed and appear to be on track for continued strong growth this year and the next. Perhaps because the region has been doing rather well, policymakers' concerns have increasingly shifted towards medium-term risks: could growth and fast convergence to living standards in advanced economies—come to an end?

■ <http://blog-imfdirect.imf.org/2013/04/29/emerging-asia-at-risk-of-the-middle-income-trap/>

Singh, Anoop, Malhar Nabar, and Papa M N'Diaye. 2013.

***China's Economy in Transition: From External to Domestic Rebalancing.* Washington DC: International Monetary Fund.**

China's current account surplus has declined to nearly a third of its pre-crisis peak. While this is a major reduction in China's external imbalance, it has not been accompanied by a decisive shift toward consumption-based growth. Instead, the compression in the external surplus has been accomplished through

investment rising even higher as a share of the national economy. This volume will study various aspects of the rebalancing underway in China and highlight policy lessons for achieving a stable, sustainable, and inclusive transformation of the growth model.

■ <http://www.imfbookstore.org/ProdDetails.asp?ID=CETEDEA&PG=1&Type=BL>

Virmani, Arvind. 2012.

“Accelerating And Sustaining Growth: Economic and Political Lessons.” IMF Working Paper WP/12/185, International Monetary Fund, Washington, DC.

This paper reviews and draws lessons from the experience of fast growing economies including a sub-set of these termed High Growth Economies (HGEs) with a decadal rate of over 7 percent. It then reviews the history of the Indian growth acceleration following the reforms of the 1990s and its future prospects given the recent slowdown. It analyzes the potential dangers and reasons for India’s growth slowdown and proposes policy reforms for sustaining fast growth.

■ <http://www.imf.org/external/pubs/ft/wp/2012/wp12185.pdf>

Woo, Wing Thye, Ming Lu, Jeffrey D. Sachs, and Zhao Chen. 2012.

***A New Economic Growth Engine for China: Escaping the Middle-Income Trap by Not Doing More of the Same.* Hackensack, NJ: World Scientific.**

China’s economic priorities in the coming years are explored, with a focus on how China can overcome the middle-income trap and enact the necessary reforms for long-term growth. The paper discusses the major types of middle-income trap that threaten China, with a prediction of China’s economy in 2012—soft landing and back to the normal.

World Bank and Development Research Center of the State Council, the People’s Republic of China. 2013.

***China 2030: Building a Modern, Harmonious, and Creative Society.* Washington, DC: World Bank.**

The report proposes six strategic directions for China’s new development strategy: 1) rethinking the role of the state and the private sector to encourage increased competition in the economy; 2) encouraging innovation and adopting an open innovation system with links to global research and development networks; 3) looking to green development as a significant new growth opportunity; 4) promoting equality of opportunity and social protection for all; 5) strengthening the fiscal system and improving fiscal sustainability; and 6) ensuring that China, as an international stakeholder, continues its integration with global markets.

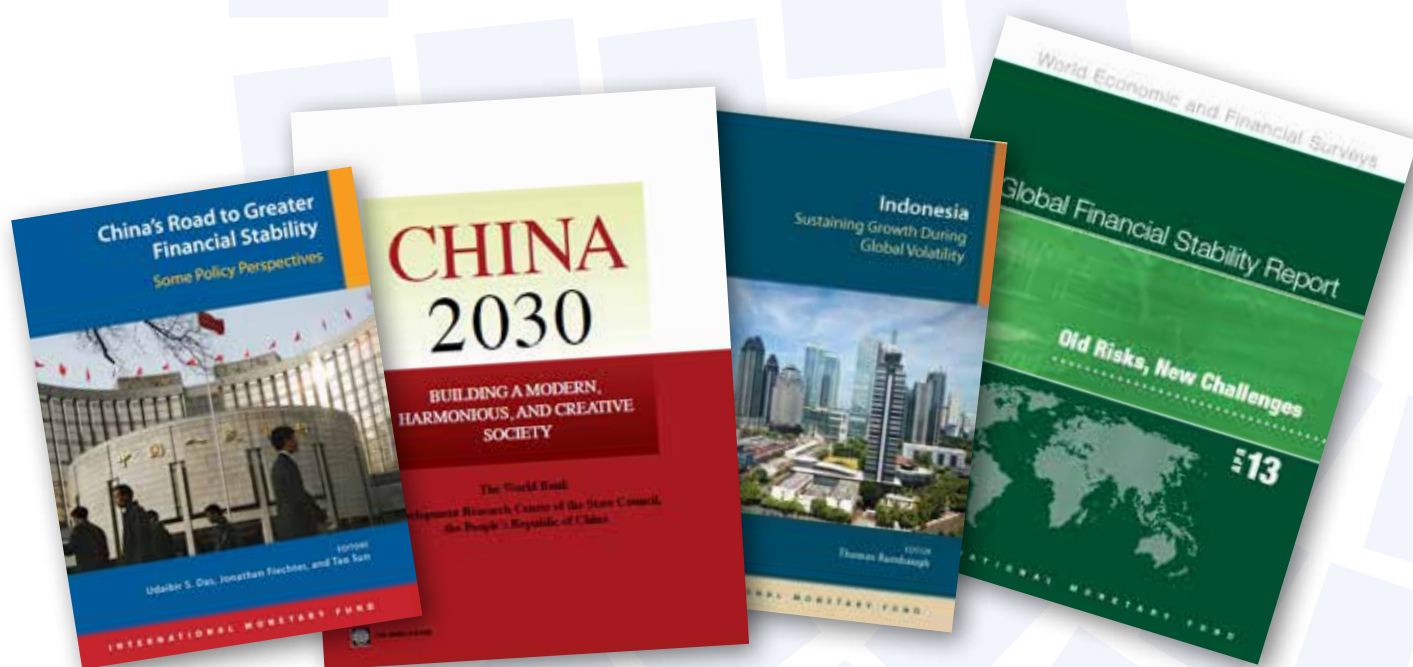
■ <http://www.worldbank.org/content/dam/Worldbank/document/China-2030-complete.pdf>

2013 Flagship Seminar

FRONTIER ECONOMIES The Next Generation Of Emerging Markets

Sponsored by IMF's Asia and Pacific Department,
African Department, and Strategy, Policy and
Review Department

Emerging markets have for some time played an important role on the global economic stage and are a major driver of global growth. More recently, a second group of countries—the so-called frontier economies—are receiving increased attention. Frontier economies are low income countries that have experienced strong growth over the past decade and are on a path of becoming the next generation of emerging markets. However, as the experience of emerging markets highlight, strong growth without the supporting development of policy frameworks and institutions can lead to a misallocation of resources, create asset and credit bubbles, and ultimately result in full-blown crises. There is, hence, the risk that after an initial promising growth trajectory, frontier economies could suffer from growth slowdowns and significant set-backs. This seminar will therefore focus on the supporting policy frameworks and institutions that will be needed to avoid such a trap. In particular the focus will be on potential vulnerabilities in financial systems and monetary policy frameworks, and the role of capital markets.



Abbas, S.M. Ali, and Jakob Christensen. 2010.

“The Role of Domestic Debt Markets in Economic Growth: An Empirical Investigation for Low-Income Countries and Emerging Markets.” *IMF Staff Papers*, 57 (1): 209-55.

This paper develops a new public domestic debt database covering 93 low-income countries and emerging markets over 1975–2004 to estimate the growth impact of domestic debt. Moderate levels of noninflationary domestic debt, as a share of GDP and bank deposits, are found to exert a positive overall impact on economic growth. Granger-causality regressions suggest support for a variety of channels: improved monetary policy; broader financial market development; strengthened domestic institutions/accountability; and enhanced private savings and financial intermediation.

■ <http://www.palgrave-journals.com/imfsp/index.html>

Alessandrini, Pietro, and Andrea F. Prebitero. 2012.

“Low-Income Countries and an SDR-Based International Monetary System.” *Open Economies Review*, 23 (1): 129-50.

The global financial crisis, the weakening role of the dollar and the increasing international importance of China are calling for a reform of the international monetary system in the direction of greater multilateralism. To this end, this paper advances a proposal based on a greater role of the Special Drawing Rights (SDRs) and focus on the potential benefits that these could bring to low-income countries.

Arezki, Rabah, Catherine Pattillo, Marc Quintyn, and Min Zhu. 2012.

Commodity Price Volatility and Inclusive Growth in Low-Income Countries. Washington, DC: International Monetary Fund.

In the years following the global financial crisis, many low-income countries experienced rapid recovery and strong economic growth. However, many are now facing enormous difficulties because of rapidly rising food and fuel prices, with the threat of millions of people being pushed into poverty around the globe. The risk of continued food price volatility is a systemic challenge, and a failure in one country has been shown to have a profound impact on entire regions. This volume is a must read for policymakers

everywhere, from those in advanced, donor countries to those in countries with the poorest and most vulnerable populations.

■ http://www.elibrary.imf.org/view/IMF071/12631-9781616353797/12631-9781616353797/Other_formats/Source_PDF/12631-9781475544541.pdf

Aryeetey, Ernest, and Charles Ackah. 2011.

“The Global Financial Crisis and African Economies: Impact and Transmission Channels.” *African Development Review* 23 (4): 407-20.

This paper is intended to highlight the general impact of the crisis on African countries in terms of economic performance and then show some variations across countries by discussing how the different transmission channels operated in them, and what their effects have been. The paper has noted that the global financial and economic crisis has affected African economies in a significant way, mostly indirectly through the harm it causes to the real sectors of the economies. There have been significant variations in the impact of the crisis across countries, and this has been influenced largely by the quality of institutions, particularly for regulation, and initial conditions prevailing in the countries.

■ <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-8268.2011.00295.x/full>

Baldini, Alfredo, and Marcos Poplawski-Ribeiro. 2011.

“Fiscal and Monetary Determinants of Inflation in Low-Income Countries: Theory and Evidence from Sub-Saharan Africa.” *Journal of African Economies* 20 (3): 419-62.

This article presents a model of fiscal dominance with borrowing constraints and provides new evidence for a large number of Sub-Saharan African countries on the relative importance of fiscal and monetary determinants of inflation. Based on different empirical tests, results show that half of the twenty-two SSA countries were characterized in 1980–2005 by lack of clear anti-inflationary monetary and fiscal policies. The other half of the sample was characterized by either a fiscal-dominant regime, with weak or no response of primary surpluses to public debt, or by consistent adoption of a monetary-dominant regime.

Berg, Andrew. 2010.

“The End of an Era? The Medium- and Long-Term Effects of the Global Crisis on Growth in Low-Income Countries.” IMF Working Paper WP/10/205, International Monetary Fund, Washington, DC.

This paper investigates the medium- and long-term growth effects of the global financial crises on Low-Income Countries (LICs). Using several methodological approaches, including impulse response function analysis, growth spells techniques and panel regressions, the research shows that external demand shocks are not historically associated with sharp declines in output growth. Given existing evidence that LICs were primarily impacted by such a shock in the global financial crisis, our analysis provides some optimism on the chances that LICs will avoid a protracted period of slow growth.

■ <http://www.imf.org/external/pubs/ft/wp/2010/wp10205.pdf>

Berg, Andrew, Chris Papageorgiou, Catherine Pattillo, Martin Schindler, Nikola Spatafora, and Hans Weisfeld. 2011.

“Global Shocks and Their Impact on Low-Income Countries: Lessons from the Global Financial Crisis.” IMF Working Paper WP/11/27, International Monetary Fund, Washington, DC.

This paper investigates the short-run effects of the 2007–09 global financial crisis on growth in (mainly non-fuel exporting) low-income countries (LICs). Four conclusions stand out. First, for many individual LICs, 2009 was not extraordinarily calamitous; however, aggregate LIC output declined sharply because LICs were unusually synchronized. Second, the growth declines are on average well explained by the decline in export demand. Third, if the external environment facing LICs improves as forecast, their growth should rebound sharply. Finally, and contrary to received wisdom, there are few robust relationships between the cross-country growth variation and the policy and structural environment; the main exceptions are reserve coverage and labor-market flexibility.

■ http://www.elibrary.imf.org/view/IMF001/11631-9781455216741/11631-9781455216741/Other_formats/Source_PDF/11631-9781455216819.pdf

Crispolti, Valerio, and George Tsibouris. 2012

“International Reserves in Low Income Countries: Have They Served as Buffers?” IMF Working Paper WP/12/7, International Monetary Fund, Washington, DC.

This paper provides a historical perspective on the role of international reserves in low-income countries as a cushion against large external shocks over the last three decades—including the current global crisis. The results suggest that international reserves have played a role in buffering external shocks, with the resulting macroeconomic costs varying with the nature of the shock, the economy’s structural characteristics, and the level of reserves.

■ http://www.elibrary.imf.org/view/IMF001/12493-9781463930561/12493-9781463930561/Other_formats/Source_PDF/12493-9781463935740.pdf

Dabla-Norris, Era. 2012.

“Exogenous Shocks and Growth Crisis in Low-Income Countries: A Vulnerability Index.” IMF Working Paper WP/12/264, International Monetary Fund, Washington, DC.

This paper develops a new index which provides early warning signals of a growth crisis in the event of large external shocks in low-income countries. Multivariate regression analysis and a univariate signaling approach are used to map information from a parsimonious set of underlying policy, structural, and institutional indicators into a composite vulnerability index. The results show that vulnerabilities to a growth crisis in low-income countries declined significantly from their peaks in the early 1990s, but have risen in recent years as fiscal policy buffers were expended in the wake of the global financial crisis.

■ <http://www.imf.org/external/pubs/ft/wp/2012/wp12264.pdf>

Dabla-Norris, Era, Jun Il Kim, and Kazuko Shorono. 2011.

“Optimal Precautionary Reserves for Low-Income Countries: A Cost-Benefit Analysis.” IMF Working Paper WP/11/249, International Monetary Fund, Washington, DC.

This paper develops a cost-benefit approach that helps to quantify the optimal level of international reserves in low-income countries, focusing on the role of reserves in preventing and mitigating absorp-

tion drops triggered by large external shocks. The approach is applied to a sample of 49 LICs over the period 1980–2008 to yield estimates of the likelihood and severity of a crisis. The results also highlight the role of overall policy frameworks and availability of Fund-support in determining optimal reserve levels, raising questions about the uniform applicability of standard rules of thumb across countries.

■ <http://www.imf.org/external/pubs/ft/wp/2011/wp11249.pdf>

Dabla-Norris, Era, Raphael Espinoza, and Sarwat Jahan. 2012.

“Spillovers to Low-Income Countries: Importance of Systemic Emerging Markets.” IMF Working Paper WP/12/49, International Monetary Fund, Washington, DC.

This paper documents the expanding economic linkages between low-income countries (LICs) and a narrow group of “emerging market leaders” that have become major players in regional and global trade and financial flows. VAR models show that these linkages have increased the share of growth volatility that can be attributed to foreign shocks in LICs. Dynamic panel models further analyze the impact of LIC trade orientation and production structure on the sensitivity to foreign shocks.

■ <http://www.imf.org/external/pubs/ft/wp/2012/wp1249.pdf>

Essers, Dennis. 2013.

“Developing Country Vulnerability in Light of the Global Financial Crisis: Shock Therapy?” *Review of Development Finance* 3 (2): 61–83.

This paper adopts a vulnerability perspective to look into some of the key developmental issues that have been raised in discussions following the global financial and economic crisis of 2008–2009. It contends that country vulnerability matters for future growth and poverty reduction. However, different ways of dealing with vulnerability all have specific advantages as well as downsides. A tentative exploration of how vulnerability has been dealt with before and during the crisis suggests that, in some areas, important progress has been made. Nevertheless, and particularly for low-income countries, there is still a long way to go.

■ <http://www.sciencedirect.com/science/article/pii/S1879933713000043>

Fabrizio, Stefania. 2010.

***Coping with the Global Financial Crisis: Challenges Facing Low-Income Countries.* Washington, DC: International Monetary Fund.**

Coping with the Crisis: Challenges Facing Low-Income Countries provides an assessment of the implications of the financial crisis for low-income countries, evaluates the short-term macroeconomic outlook for these countries, and discusses the policy challenges they face. Chapters cover the outlook for global economic growth and commodity prices, an overview of how low-income countries have been affected, fiscal policy, monetary and exchange rate policy responses, potential external financing needs and how the international community, including the IMF, can help countries meet them. The challenges ahead for low-income countries are delineated, including debt vulnerabilities and the need for countries to develop well-regulated local capital markets and banking systems, as well as enhanced public sector efficiency.

■ <http://www.imf.org/external/pubs/ft/dp/2010/dp1005.pdf>

Fabrizio, Stefania. 2011.

***Emerging from the Global Crisis: Macroeconomic Challenges Facing Low-Income Countries.* Washington, DC: International Monetary Fund.**

Although the impact of the global crisis has been severe, real per capita GDP growth stayed positive in two-thirds of low-income countries (LICs), unlike in previous global downturns, and in contrast to richer countries. *Emerging from the Global Crisis* explores how LICs have coped with the global economic crisis. It reviews the impact of the crisis on LICs, domestic policy responses to the crisis, and the precrisis conditions of select countries. The prospects and challenges that LICs face are also considered. Sections of the paper look at growth prospects, policy recommendations, the general macroeconomic outlook, as well as the rebuilding of fiscal buffers. The authors also “stress-test” LICs’ exposure to further volatility by using a hypothetical “downside” recovery scenario.

■ http://www.elibrary.imf.org/view/IMF087/11425-9781616350734/11425-9781616350734/Other_formats/Source_PDF/11425-9781455223060.pdf

Fabrizio, Stefania. 2012.

Managing Global Growth Risks and Commodity Price Shocks: Vulnerabilities and Policy Challenges for Low-Income Countries. Washington, DC: International Monetary Fund.

As part of its work to help low-income countries manage volatility, the IMF has developed an analytical framework for assessing vulnerabilities and emerging risks that arise from changes in the external environment. This paper draws on the results of the first vulnerability exercise for low-income countries conducted by the IMF staff using this new framework. It focuses on the risks of a downturn in global growth and of further global commodity price shocks and discusses related policy challenges. Chapters review recent macroeconomic developments; assess current risks and vulnerabilities; and discuss policy challenges in the face of these risks and vulnerabilities.

■ http://www.elibrary.imf.org/view/IMF087/12616-9781616353773/12616-9781616353773/Other_formats/Source_PDF/12616-9781475544466.pdf

Gaeta, Gordian. 2013.

Opportunities in Emerging Markets: Investing in the Economies of Tomorrow. Hoboken, NJ: Wiley.

The practical practical guide to investing in emerging markets. Though potentially risky, investing in emerging markets can offer extremely attractive returns. *Opportunities in Emerging Markets* offers practical advice for investors based on the real life experiences—both positive and negative—of practitioners, pioneer investors, and local heroes with experience in frontier markets. Exploring how every developing market has its own unique regional cultures and social structures that change the way investors invest, and must be understood in order to make wise investments, the book combines standard approaches to investing with the exigencies of frontier markets to create an invaluable framework for success.

Hevia, Constantino. 2012.

“Using Pooled Information and Bootstrap Methods to Assess Debt Sustainability in Low Income Countries.” Policy Research Working Paper WPS 5978, World Bank, Washington, DC.

Conventional assessments of debt sustainability in low income countries are hampered by poor data and weaknesses in methodology. In particular, the standard International Monetary Fund-World Bank debt sus-

tainability framework relies on questionable empirical assumptions: its baseline projections ignore statistical uncertainty, and its stress tests, which are performed as robustness checks, lack a clear economic interpretation and ignore the interdependence between the relevant macroeconomic variables. This paper proposes to alleviate these problems by pooling data from many countries and estimating the shocks and macroeconomic interdependence faced by a generic, low-income country.

■ <http://documents.worldbank.org/curated/en/2012/02/15870340/using-pooled-information-bootstrap-methods-assess-debt-sustainability-low-income-countries>

International Monetary Fund. 2013.

“Breaking through the Frontier: Can Today’s Dynamic Low-Income Countries Make It?” In *World Economic Outlook: Hopes, Realities and Risks*, 97-131. Washington, DC: International Monetary Fund.

This chapter compares the recent wave of dynamic LICs with the previous wave of primarily dynamic LICs in the 1960s and 1970s. It finds important similarities with both achieving stronger investment rates and export growth than LICs that were unable to takeoff. It also finds striking differences; today’s dynamic LICs sustained growth with much lower economic vulnerabilities than dynamic LICs in the past. This reflects in part greater reliance on foreign direct investment than on debt-financed investment, as well as faster implementation of structural reforms.

■ http://www.elibrary.imf.org/view/IMF081/20182-9781616355555/20182-9781616355555/Other_formats/Source_PDF/20182-9781475560725.pdf

International Monetary Fund. 2013.

“Issuing International Sovereign Bonds: Opportunities and Challenges for Sub-Saharan Africa.” In *Regional Economic Reports: Sub-Saharan Africa: Building Momentum in a Multi-Speed World*, 39-57. Washington, DC: International Monetary Fund.

These reports discuss recent economic developments and prospects for countries in various regions. They also address economic policy developments that have affected economic performance in the regions, and discuss key challenges faced by policymakers.

■ http://www.elibrary.imf.org/view/IMF086/20410-9781484365151/20410-9781484365151/Other_formats/Source_PDF/20410-9781484354599.pdf

McLoughlin, Cameron, and Noriaki Kinoshita. 2012

“Monetization in Low- and Middle-Income Countries.” IMF Working Paper WP/12/160, International Monetary Fund, Washington, DC.

The degree of an economy’s monetization, which has an important implication on economic growth, can be affected by the conduct of monetary policy, financial sector reform, and episodes of financial crises. The paper finds that monetization—measured by the ratio of broad money to nominal GDP—in low- to middle-income countries is significantly correlated with per-capita GDP, real interest rates, and financial sector reform. It suggests that maintaining an upward momentum in monetization can be an important policy objective, particularly for low-income countries, and that monetary and financial sector policies need to be conducive to enhancing monetization.

■ <http://www.imf.org/external/pubs/ft/wp/2012/wp12160.pdf>

Mishra, Prachi, and Peter Montiel. 2012.

“How Effective Is Monetary Transmission in Low-Income Countries? A Survey of the Empirical Evidence.” IMF Working Paper WP/12/143, International Monetary Fund, Washington, DC.

This paper surveys the evidence on the effectiveness of monetary transmission in low-income countries. It is hard to come away from this review with much confidence in the strength of monetary transmission in such countries. It distinguishes between the “facts on the ground” and “methodological deficiencies” interpretations of the absence of evidence for strong monetary transmission. The stabilization challenge in developing countries is acute indeed, and identifying the means of enhancing the effectiveness of monetary policy in such countries is an important challenge.

■ http://www.elibrary.imf.org/view/IMF001/12849-9781475504064/12849-9781475504064/Other_formats/Source_PDF/12849-9781475585131.pdf

Mishra, Prachi, and Peter Montiel. 2012.

“Q&A: Seven Questions on Monetary Transmission in Low-Income Countries.” *IMF Research Bulletin* 13(3): 8-10.

There are strong a priori reasons for believing that the monetary transmission mechanism in low-income countries (LICs) is fundamentally different from that in economies with more sophisticated

financial systems. A review of the existing literature also suggests little confidence in the strength of monetary transmission in low-income countries. It is important to distinguish between the “facts on the ground” and “methodological deficiencies” explanations for the absence of evidence for strong monetary transmission. There is evidence that “facts on the ground” are an important part of the story. If this conjecture is correct, the stabilization challenge in developing countries is acute indeed, and identifying the means of enhancing the effectiveness of monetary policy in such countries is an important challenge. This piece addresses the main questions in the literature on the monetary transmission mechanisms in low-income countries.

■ http://www.elibrary.imf.org/view/IMF026/20007-9781475510683/20007-9781475510683/Other_formats/Source_PDF/20007-9781475510881.pdf

Nallari, Raj, Shahid Yusuf, Breda Griffith, and Rwitwika Bhattacharya. 2011.

***Frontiers in Development Policy: A Primer on Emerging Issues.* Washington, DC: World Bank.**

Frontiers in Development Policy, developed for courses at the World Bank and elsewhere, is a primer that examines interlinkages in various parts of the economy and the need for practical policy making to reach development goals in a globalized world of instabilities and complexities. The global crisis of 2008–09 opened new discussions about a plethora of economic and policy issues as well as basic concepts, frameworks, and forms of evaluation. The policy issues in this primer were selected because of their importance to promote strong, sustainable, and inclusive growth in low-income and middle-income developing countries; and because they are “new and emerging” and necessitate debate among policy makers and practitioners.

■ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/09/09/000333037_20110909014323/Rendered/PDF/644420PUB0Fron00ID0187850BOX361537B.pdf

Nord, Roger, Yuri Sobolev, David G. Dunn, Alejandro Hajdenberg, Niko Hobdari, Samar Maziad, and Stéphane Roudet. 2009.

***Tanzania: the Story of an African Transition.* Washington, DC: International Monetary Fund.**

In 1985, Tanzania was in severe economic distress, plagued by widespread shortages and high inflation. Agricultural production, the mainstay of the economy,

had been declining steadily since the 1970s. Exports of cash crops, which traditionally accounted for the bulk of foreign exchange earnings, had fallen by half between 1970 and 1985. A foreign exchange shortage led to a precipitous drop in imports, which in turn caused a crisis in the manufacturing sector, which lacked raw materials and spare parts. Twenty years later, Tanzania looks radically different. Inflation has declined to single digits. Economic growth is buoyant, averaging 7 percent a year since 2000. Real per capita income has risen by 50 percent. Poverty, while still widespread, is heading downward. Exports are booming, public finances are sound, debt ratios are low, and foreign exchange reserves are ample. This paper analyzes the remarkable turnaround, the economic policies that contributed to these conditions and the road ahead because, while much has been achieved, much remains to be done.

■ http://www.elibrary.imf.org/view/IMF087/09880-9781589068223/09880-9781589068223/Other_formats/Source_PDF/09880-9781451926538.pdf

Poghosyan, Tigran. 2012.

“Financial Intermediation Costs in Low-Income Countries: The Role of Regulatory, Institutional, and Macroeconomic Factors.” IMF Working Paper WP/12/140, International Monetary Fund, Washington, DC.

The paper analyzes factors driving persistently higher financial intermediation costs in low-income countries (LICs) relative to emerging market (EMs) country comparators. Using the net interest margin as a proxy for financial intermediation costs at the bank level, the study finds that within LICs a substantial part of the variation in interest margins can be explained by bank-specific factors: margins tend to increase with higher riskiness of credit portfolio, lower bank capitalization, and smaller bank size. Our results provide strong evidence that policies aimed at fostering banking competition and strengthening institutional frameworks can reduce intermediation costs in LICs.

■ <http://www.imf.org/external/pubs/ft/wp/2012/wp12140.pdf>

Radelet, Steven. 2010.

***Emerging Africa: How 17 Countries Lead the Way.* Washington, DC: Center for Global Development.**

This book takes a fresh approach by recognizing the important differences between Africa’s emerging countries, the oil-exporters (where progress has been uneven and volatile), and the others (where there has

been little progress) instead of treating sub-Saharan Africa as a monolithic entity. This important book describes the revitalization underway in the emerging countries and why it is likely to continue.

Yang, Yongzheng. 2011.

“Global Rebalancing: Implications for Low-Income Countries.” IMF Working Paper WP/11/239, International Monetary Fund, Washington, DC.

While global rebalancing will mainly involve structural realignment among major advanced and emerging market economies, it could have significant impact on low-income countries (LICs). Simulations using a global general equilibrium model show that a more balanced global economy would tend to improve the current account balance in LICs with limited impact on domestic output. However, there could be adverse terms of trade effects on some LICs as the prices of manufactured goods rise. On the other hand, such price increases could provide an impetus to export diversification in many LICs, raising growth in the long run. The output and terms of trade effects would be significantly amplified if structural adjustment is impeded by factor immobility and other rigidities.

■ http://www.elibrary.imf.org/view/IMF001/12242-9781463922610/12242-9781463922610/Other_formats/Source_PDF/12242-9781463995379.pdf

GENERAL REFERENCES

International Monetary Fund.

***Global Financial Stability Report.* Washington, DC: International Monetary Fund. Semi-annual.**

The Global Financial Stability Report provides an assessment of the global financial system and markets, and addresses emerging market financing in a global context. It focuses on current market conditions, highlighting systemic issues that could pose a risk to financial stability and sustained market access by emerging market borrowers.

■ <http://www.imf.org/external/pubs/ft/gfsr/index.htm>

2013 Flagship Seminar

POLICIES FOR GROWTH AND JOBS IN EUROPE

Sponsored by IMF's European Department

Five years after the peak of the Great Recession, growth remains weak across most of Europe and unemployment, especially among young people, has reached unacceptably high levels in all countries but a few. As the risk of renewed crisis is receding, policymakers have shifted focus from crisis management and stabilization to strengthening growth and rebuilding resilience. In the short and medium term, the challenges include the need to repair balance sheets, both private and public, in a growth-friendly way. The main long-term challenge is to undertake the reforms needed to address structural weaknesses in product and labor markets, financial markets, and Europe's institutional frameworks. The seminar will bring together a set of panelists from the public and private sectors and academia to discuss the various facets of the medium- and long-term challenges for lifting growth and creating jobs in Europe, building on analysis in a forthcoming IMF book on these topics.



Barkbu, Bergljot, Jesmin Rahman, Rodrigo Valdés, and an IMF Staff Team. 2012.

“Fostering Growth in Europe Now.” IMF Staff Discussion Note SDN/12/07, International Monetary Fund, Washington, DC.

To meet Europe’s growth challenge, structural reforms need to be implemented now and complemented by other policies. A consistent policy package at the euro area level that takes into account country-specific reform priorities would yield large gains and facilitate rebalancing within the euro area.

■ <http://www.elibrary.imf.org/view/IMF006/12893-9781475504644/12893-9781475504644/12893-9781475504644.xml?rskey=V16Ztm&result=1&q=barkbu+fostering+growth>

Blanchard, Olivier, Florence Jaumotte, and Prakash Loungani. 2013.

“Labor Market Policies and IMF Advice in Advanced Economies during the Great Recession.” IMF Staff Discussion Note SDN/13/02, International Monetary Fund, Washington, DC.

This paper does two things. First, it articulates what are the main implications of theoretical and empirical research for design of labor market policies and labor market institutions. Second, in this light, the paper analyzes the IMF’s labor market recommendations since the beginning of the crisis, both in general, and more specifically in program countries.

■ <http://www.elibrary.imf.org/view/IMF006/20363-9781484301289/20363-9781484301289/20363-9781484301289.xml?rskey=S7JNjv&result=1&q=labor+market+policies+imf+advice>

“Changing Trends Call for Policy Mix on Jobs, Growth.” 2013.

IMF Survey, April 4.

A stable economic environment, with low inflation and low output volatility, is the essential foundation for generating jobs and growth in a national economy.

■ <http://www.imf.org/external/pubs/ft/survey/so/2013/POL040413A.htm>

Goyal, Rishi, Petya Koeva Brooks, Mahmood Pradhan, Thierry Tresselt, Giovanni Dell’Ariccia, Ross Leckow, Ceyla Pazarba-sioglu, and an IMF Staff Team. 2013.

“A Banking Union for the Euro Area.” IMF Staff Discussion Note SDN/13/01, International Monetary Fund, Washington, DC.

A case is made for the design of a banking union for the euro area. The paper discusses the benefits and costs of a banking union, presents a steady state view of the banking union, elaborates difficult transition issues, and briefly discusses broader EU issues. As such, it assesses current plans and provides advice. It is accompanied by three background technical notes that analyze in depth the various elements of the banking union: a single supervisory framework; a single resolution and common safety net; and urgent issues related to repair of weak banks in Europe.

■ <http://www.elibrary.imf.org/view/IMF006/20274-9781475521160/20274-9781475521160/20274-9781475521160.xml?rskey=a5vvvA&result=1&q=banking+union+euro+area>

“How Labor Markets Can Support Workers, Economic Growth.” 2013.

IMF Survey, March 29.

■ <http://www.imf.org/external/pubs/ft/survey/so/2013/RES032913A.htm>

Moghadam, Reza 2013.

“A Missing Piece in Europe’s Growth Puzzle.” *iMFdirect* (blog), March 5, 2013.

■ <http://blog-imfdirect.imf.org/2013/03/05/a-missing-piece-in-europes-growth-puzzle/>

International Monetary Fund. 2013.

Jobs and Growth: Analytical and Operational Considerations for the Fund. Washington, DC: International Monetary Fund.

Job creation and growth with inclusion are imperatives that resonate today in every country. While some advanced countries face the challenge of supporting aggregate demand with limited fiscal space in the aftermath of the Great Recession, many countries have to address ways to generate growth and create jobs in the face of the strong ongoing global megatrends of technological change, globalization, and significant shifts

in demographic trends. The paper discusses the role the Fund can play in helping countries devise strategies to meet these challenges by reviewing the theoretical and empirical state of the art in relevant policy research so as to provide the best “evidence based” advice.

- <http://www.imf.org/external/np/pp/eng/2013/031413.pdf>

Liikanen, Erkki. 2011.

“Global Economic Change and the Challenges for the European Economy.” *Economic and Financial Review* 18(2): 67–78.

Emerging economies have been less affected by the disturbances in the international financial system. Several factors have contributed to this performance. Emerging economies’ current accounts were in surplus, particularly in Asia, the Middle East, and Russia. Within the EU, the author argues, prospects for growth can be improved by structural reforms that can enhance competition, employment and productivity. Germany presents an encouraging example of the effectiveness of labor market reforms. Going forward success will come to economies with flexible structures, where public finances are sound, and domestic production remains competitive.

Lusine, Lusinyan, and Dirk Muir. 2013.

“Assessing the Macroeconomic Impact of Structural Reforms: The Case of Italy.” IMF Working Paper WP/13/22, International Monetary Fund, Washington, DC.

Wide-ranging structural reforms are underway in Italy, aimed at addressing key bottlenecks in the product and labor markets. Our analysis, based on the IMF’s Global Integrated Monetary and Fiscal model (GIMF), attempts to quantify the potential gains to the economy from a comprehensive package of structural reforms. We find that these gains can be sizeable. While in most cases, the reforms go in the right direction; their impact would depend on effective and timely implementation. In some areas, especially in the labor market, reforms would benefit from further strengthening. The priorities should be to strengthen competition in the non-tradable sector and make the labor market more efficient and inclusive, supported by growth-friendly fiscal reforms.

- [http://www.elibrary.imf.org/view/IMF001/20236-9781475530865/20236-9781475530865/20236-9781475530865.xml?rskey=GE15r5&result=1&q=assessing macroeconomic structural reforms](http://www.elibrary.imf.org/view/IMF001/20236-9781475530865/20236-9781475530865/20236-9781475530865.xml?rskey=GE15r5&result=1&q=assessing%20macroeconomic%20structural%20reforms)

World Bank. 2011.

The Jobs Crisis: Household and Government Responses to the Great Recession in Eastern Europe and Central Asia. Washington, DC: World Bank.

This report brings together evidence that World Bank teams have collected on the impact of the crisis on households and families in Eastern Europe and Central Asia. The jobs crisis presents an account of how governments reacted to the crisis through social policy reforms and initiatives and how such responses could be improved in the future.

- <http://documents.worldbank.org/curated/en/2011/01/14036340/jobs-crisis-household-government-responses-great-recession-eastern-europe-central-asia>

World Bank. 2012.

World Development Report 2013: Jobs. Washington DC: World Bank.

The 2013 *World Development Report* on jobs explains and analyzes the connection between jobs and important dimensions of economic and social development. It provides analytical tools to identify the obstacles to sustained job creation and examine differences in the nature of jobs.

- <http://documents.worldbank.org/curated/en/2012/10/16800330/jobs>

2013 Flagship Seminar

TAXING TIMES

Sponsored by IMF's Fiscal Affairs Department

The challenges facing current tax policy makers are daunting: helping to meet consolidation needs with least harm to both short- and longer-term growth prospects; addressing fairness concerns arising from increased inequality in many countries; fixing the international tax system; strengthening domestic resource mobilization for development in the face of likely pressures on development assistance; securing the benefits of new resource discoveries. This seminar will consider: (1) How must tax systems be best structured to meet these challenges; (2) What are the obstacles to substantive tax reform, and how can they be overcome?



Acosta-Ormachea, Santiago, and Jiae Yoo. 2012.

“Tax Composition and Economic Growth: A Broad Cross-Country Perspective.” IMF Working Paper WP/12/257, International Monetary Fund, Washington, DC.

This working paper investigates the relation between changes in tax composition and long-run economic growth using a new dataset covering a broad cross-section of countries with different income levels. It specifically considers 69 countries with at least 20 years of observations on total tax revenue during the period 1970-2009—21 high-income, 23 middle-income and 25 low-income countries. This is the most comprehensive and up-to-date dataset on tax composition and growth. The study reveals that increasing income taxes while reducing consumption and property taxes is associated with slower growth over the long run. It also demonstrates that: (1) among income taxes, social security contributions and personal income taxes have a stronger negative association with growth than corporate income taxes; (2) a shift from income taxes to property taxes has a strong positive association with growth; and (3) a reduction in income taxes while increasing value added and sales taxes is also associated with faster growth.

■ <http://www.imf.org/external/pubs/ft/wp/2012/wp12257.pdf>

ActionAid. 2013.

Sweet Nothings: The Human Cost of a British Sugar Giant Avoiding Taxes in Southern Africa. London: ActionAid.

The report examines the tax practices of the Associated British Foods (ABF) group, focusing on the activities of ABF’s Zambian subsidiary, Zambia Sugar Plc. It found that Associated ABF Zambian subsidiary uses an array of transactions that have seen over a third of the company’s pre-tax profits—over US\$13.8 million (ZK62 billion) a year—paid out of Zambia, into and via tax haven sister companies in Ireland, Mauritius and the Netherlands. Some of these transactions reduce Zambia Sugar’s taxable profits, while the structure of others avoids the Zambian taxes ordinarily levied on such foreign payments themselves. Thanks to this financial engineering, we estimate that Zambia has lost tax revenues of some US\$17.7 million (ZK78 billion) since 2007.

The report shows how tackling the problem will require both national and international action across differ-

ent fronts. While the group of companies detailed in this report has taken (lawful) advantage of loopholes in international tax laws, they have also benefited from tax breaks deliberately written into countries’ tax codes, responsibility for which ultimately lies with governments.

■ http://eurodad.org/files/integration/2013/02/sweet_nothings.pdf

Altshuler, Rosanne, and Harry Grubert. 2008.

“Formula Apportionment: Is It Better than the Current System and Are There Better Alternatives?” *National Tax Journal*, December 2010, 63 (4, Part 2): 1145–1184

This analysis of formula apportionment is based on the observation that income shifting has two sources, intangible income and debt. The analysis also recognizes that a major goal of the transfer pricing or income allocation system is to preserve the tax neutrality between arm’s length and related party transactions and between multinational and single jurisdiction companies. It therefore develops a model that highlights these features. Both separate accounts (SA) and formula apportionment (FA) distort behavior but along different margins. Under SA, companies have an incentive to shift high-tech activities and to manipulate transfer prices. Furthermore, straightforward changes could be made in SA that would result in substantial improvements without resorting to full-fledged FA. The report also examines the complicating role of financial assets under FA and how ongoing R&D is implicitly allocated. The conceptual basis for the conventional formulas are discussed, particularly ones based on sales. Finally, a static, no behavioral change, estimate of the effect of FA on the tax liabilities of US multinational corporations is presented for 1996 and 2004.

■ [http://ntj.tax.org/wwtax/ntjrec.nsf/47894C746985E54D852577FC005C653F/\\$FILE/Article%2012_Altshuler.pdf](http://ntj.tax.org/wwtax/ntjrec.nsf/47894C746985E54D852577FC005C653F/$FILE/Article%2012_Altshuler.pdf)

Atkinson, Anthony B., Thomas Piketty, and Emmanuel Saez. 2009.

“Top Incomes in the Long Run of History.” NBER Working Paper No. 15408, National Bureau of Economic Research, Cambridge, MA.

This paper summarizes the main findings of a recent literature that has constructed top income shares time series over the long-run for more than 20 countries using income tax statistics. Top incomes represent a small share of the population but a very significant

share of total income and total taxes paid. Hence, aggregate economic growth per capita and Gini inequality indexes are very sensitive to excluding or including top incomes. We discuss the estimation methods and issues that arise when constructing top income share series, including income definition and comparability over time and across countries, tax avoidance and tax evasion. We provide a summary of the key empirical findings. Most countries experience a dramatic drop in top income shares in the first part of the 20th century in general due to shocks to top capital incomes during the wars and depression shocks. Top income shares do not recover in the immediate post war decades. However, over the last 30 years, top income shares have increased substantially in English speaking countries and in India and China but not in continental Europe countries or Japan. This increase is due in part to an unprecedented surge in top wage incomes. As a result, wage income comprises a larger fraction of top incomes than in the past. Finally, we discuss the theoretical and empirical models that have been proposed to account for the facts and the main questions that remain open.

■ <http://www.nber.org/papers/w15408.pdf>

Auerbach, Alan J. 2005.

“Who Bears the Corporate Tax? A Review of What We Know.” NBER Working Paper No. 11686, National Bureau of Economic Research, Cambridge, MA.

This paper reviews what we know from economic theory and evidence about who bears the burden of the corporate income tax. For a variety of reasons, shareholders may bear a certain portion of the corporate tax burden. In the short run, they may be unable to shift taxes on corporate capital. Even in the long run, they may be unable to shift taxes attributable to a discount on “old” capital, taxes on rents, or taxes that simply reduce the advantages of corporate ownership. One-dimensional incidence analysis can be relatively uninformative about who bears the corporate tax burden, because it misses the element timing. It is more meaningful to analyze the incidence of corporate tax changes than of the corporate tax in its entirety, because different components of the tax have different incidence and incidence relates to the path of the economy over time, not just in a single year.

■ <http://www.nber.org/papers/w11686.pdf>

Ball, Laurence, Davide Furceri, Daniel Leigh, and Prakash Loungani. 2013.

“The Distributional Effects of Fiscal Consolidation.” IMF Working Paper WP/13/151, International Monetary Fund, Washington, DC.

This paper examines the distributional effects of fiscal consolidation. Using episodes of fiscal consolidation for a sample of 17 OECD countries over the period 1978–2009, we find that fiscal consolidation has typically had significant distributional effects by raising inequality, decreasing wage income shares and increasing long-term unemployment. The evidence also suggests that spending-based adjustments have had, on average, larger distributional effects than tax-based adjustments.

■ <http://www.imf.org/external/pubs/ft/wp/2013/wp13151.pdf>

Benedek, Dora, Ernesto Crivelli, Sanjeev Gupta, and Priscilla Muthooru. 2012.

“Foreign Aid and Revenue: Still a Crowding Out Effect?” IMF Working Paper WP/12/186, International Monetary Fund, Washington, DC.

This paper analyses the relationship between aid and domestic tax revenues using a more recent and comprehensive dataset covering 118 countries for the period 1980–2009. Overall, our results support earlier findings of a negative association between net Official Development Assistance (ODA) and domestic tax revenues, but this relationship appears to have weakened in reflection of greater efforts at mobilizing domestic revenues in many countries. The composition of net ODA matters: ODA grants are associated with lower revenues, while ODA loans are not. The paper further finds that net ODA and grants are negatively associated with VAT, excise and income tax revenues, but have a positive relationship with trade taxes. Aid has a particularly strong negative effect on domestic tax revenues in low-income countries and in countries with relatively weak institutions.

■ <http://www.imf.org/external/pubs/ft/wp/2012/wp12186.pdf>

Bird, Richard M. 2010.

“Subnational Taxation in Developing Countries: A Review of the Literature.” Policy Research Working Paper, WPS 5450, World Bank, Washington, DC.

This paper reviews the literature on tax assignment in decentralized countries. Ideally, own-source revenues should be sufficient to enable at least the richest

subnational governments to finance from their own resources all locally-provided services that primarily benefit local residents. Subnational taxes should also not unduly distort the allocation of resources. Most importantly, to the extent possible subnational governments should be accountable at the margin for financing the expenditures for which they are responsible. The “best” package for any particular country or subnational government is likely to be not only context-specific and path-dependent, but also highly sensitive to the balance struck between different political and economic factors and interests.

■ <http://documents.worldbank.org/curated/en/2010/10/12880393/subnational-taxation-developing-countries-review-literature>

Bornhorst, Fabian, Sanjeev Gupta, and John Thornton. 2008.

“Natural Resource Endowments, Governance, and the Domestic Revenue Effort: Evidence from a Panel of Countries.” IMF Working Paper WP/08/170, International Monetary Fund, Washington, DC.

The recent development literature stresses that countries that receive large revenues from natural resource endowments typically raise less revenue from domestic taxation, and that this creates governance problems because the lower domestic tax effort reduces the incentive for the public scrutiny of government. This study’s results from a panel of 30 hydrocarbon producing countries indicate that the offset between hydrocarbon revenues and revenues from other domestic sources is about 20 percent but that it is invariant to governance indicators.

■ <http://www.imf.org/external/pubs/ft/wp/2008/wp08170.pdf>

Brys, Bert. 2011.

“Making Fundamental Tax Reform Happen.” OECD Taxation Working Paper No. 3, Organisation for Economic Co-operation and Development, Paris.

This paper discusses the objectives of tax reform and explores the most important environmental factors that influence the reform process, focusing on the circumstances that explain when these objectives and environmental factors may become an obstacle to the design and implementation of tax policies. The second part of this paper discusses strategies that might help policy makers to successfully implement fundamental tax reforms.

■ http://www.oecd-ilibrary.org/making-fundamental-tax-reform-happen_5kg3h0v54g34.pdf?content-

[Type=/ns/WorkingPaper&itemId=/content/working-paper/5kg3h0v54g34-en&containerItemId=/content/workingpaperseries/22235558&accessItemIds=&mimeType=application/pdf](http://www.oecd-ilibrary.org/working-paper/5kg3h0v54g34-en&containerItemId=/content/workingpaperseries/22235558&accessItemIds=&mimeType=application/pdf)

Clements, Benedict, Victoria Perry, and Juan Toro. 2010.

From Stimulus to Consolidation: Revenue and Expenditure Policies in Advanced and Emerging Economies. Washington, DC: International Monetary Fund.

This paper identifies policy tools that could be used for fiscal consolidation in advanced and emerging economies in the years ahead. The consolidation strategy, particularly in advanced countries, should aim to stabilize age-related spending in relation to GDP, reduce non-age-related expenditure ratios, and increase revenues. Bold reforms are needed to offset projected increases in age-related spending, particularly health care. On the revenue side, measures could include improving tax compliance, for example through better international cooperation, as well as increasing the yield from VAT by eliminating exemptions and reduced rates, further developing property taxes, and increasing excise rates within the range of rates already applicable in comparable countries.

■ <http://www.imf.org/external/pubs/ft/dp/2010/dp1003.pdf>

Cyan, Musharraf, Jorge Martinez-Vazquez, and Violeta Vulovic. 2013.

“Measuring Tax Effort: Does the Estimation Approach Matter and Should Effort Be linked to Expenditure Goals?” International Center for Public Policy Working Paper 13-08, Andrew Young School of Policy Studies, Georgia State University, Atlanta, GA.

This study attempts to better understand the fundamental economic logic of the different approaches that have been used in the previous literature, consider alternative measurements which may provide a more direct intuition of what the concept of tax effort attempts to measure, and compare quantitatively the rankings of tax effort produced by all these different approaches. Fundamentally, all tax effort indicators are calculated by comparing actual collection performance against a measure of potential collections. This definitional choice lays out several dimensions for the conduct of tax policy in a country. The paper further argues for the need to explicitly link the adequacy of tax effort with the specific expenditure goals of government and their associated gains in national welfare.

■ <http://aysps.gsu.edu/isp/images/ispwp1308.pdf>

Daniel, Philip, Michael Keen, and Charles McPherson, eds. 2010.

The Taxation of Petroleum and Minerals: Principles, Problems and Practice. London: Routledge.

There are few areas of economic policy-making in which the returns to good decisions are so high—and the punishment of bad decisions so cruel—as in the management of natural resource wealth. Rich endowments of oil, gas and minerals have set some countries on courses of sustained and robust prosperity; but they have left others riddled with corruption and persistent poverty, with little of lasting value to show for squandered wealth. And amongst the most important of these decisions are those relating to the tax treatment of oil, gas and minerals. This book will be of interest to economics postgraduates and researchers working on resource issues, as well as professionals working on taxation of oil, gas and minerals/mining.

de Mooij, Ruud, Michael Keen, and Masanori Orihara. 2013.

“Taxation, Bank Leverage, and Financial Crises.” IMF Working Paper WP/13/48, International Monetary Fund, Washington, DC.

That most corporate tax systems favor debt over equity finance is now widely recognized as, potentially, amplifying risks to financial stability. This paper makes a first attempt to explore, empirically, the link between this tax bias and the probability of financial crisis. It finds that greater tax bias is associated with significantly higher aggregate bank leverage, and that this in turn is associated with a significantly greater chance of crisis. The implication is that tax bias makes crises much more likely, and, conversely, that the welfare gains from policies to alleviate it can be substantial—far greater than previous studies, which have ignored financial stability considerations, suggest.

■ <http://www.imf.org/external/pubs/ft/wp/2013/wp1348.pdf>

Eichengreen, Barry. 1989.

“The Capital Levy in Theory and Practice.” NBER Working Paper No. 3096, National Bureau of Economic Research, Cambridge, MA.

A capital levy is a one-time tax on all wealth holders with the goal of retiring public debt. This paper reconsiders the historical debate over the capital levy in a contingent capital taxation framework. This shows how in theory the imposition of a levy can

be welfare improving when adopted to redress debt problems created by special circumstances, even if its nonrecurrence cannot be guaranteed. If the contingencies in response to which the levy is imposed are fully anticipated, independently verifiable and not under government control, then saving and investment should not fall following the imposition of the levy, nor should the government find it more difficult to raise revenues subsequently. In practice, serious problems stand in the way of implementation. A capital levy has profound distribution consequences. Property owners are sure to resist its adoption. In a democratic society, their objections are guaranteed to cause delay. This provides an opportunity for capital flight, reducing the prospective yield, and allows the special circumstances providing the justification for the levy to recede in the past. The only successful levies occur in cases like post-World War II Japan, where important elements of the democratic process are suppressed and where the fact that the levy was imposed by an outside power minimized the negative impact on the reputation of subsequent sovereign governments.

■ <http://www.nber.org/papers/w3096.pdf>

Fuest, Clemens, Shafik Hebous, and Nadine Riedel. 2013.

“International Profit Shifting and Multinational Firms in Developing Countries.” in *Critical Issues in Taxation and Development*, edited by Clemens Fuest and George R. Zodrow, 145-66. Cambridge, MA: MIT Press.

Many developing countries find it difficult to raise the revenue required to provide such basic public services as education, health care, and infrastructure. In this volume, experts investigate crucial challenges confronted by developing countries in raising revenue. After a comprehensive and insightful overview, each chapter uses modern empirical methods to study a single critical issue essential to understanding the effects of taxes on development. Topics addressed include the effect of taxation on foreign direct investment; forms of corruption, tax evasion, and tax avoidance that are specific to developing countries; and issues related to political structure, including the negative effects of fiscal decentralization on the effectiveness of developmental aid and the relationship between democracy and taxation in Asian, Latin American, and European Union countries that have recently experienced both political and economic transitions.

Gravelle, Jane. G. 2013.

Tax Havens: International Tax Avoidance and Evasion.
Washington, DC: Congressional Research Service.

Multinational firms can artificially shift profits from high-tax to low-tax jurisdictions using a variety of techniques, such as shifting debt to high-tax jurisdictions. Individuals too can evade taxes on passive income, such as interest, dividends, and capital gains, by not reporting income earned abroad. In addition, since interest paid to foreign recipients is not taxed, individuals can also evade taxes on U.S. source income by setting up shell corporations and trusts in foreign haven countries to channel funds. Most provisions to address profit shifting by multinational firms would involve changing the tax law: repealing or limiting deferral, limiting the ability of the foreign tax credit to offset income, addressing check-the-box, or even formula apportionment. The study presents and analyses the U.S. Government's proposal to disallow overall deductions and foreign tax credits for deferred income and restrictions on the use of hybrid entities.

■ www.fas.org/sgp/crs/misc/R40623.pdf

Heady, Christopher, Åsa Johansson, Jens Arnold, Bert Brys, and Laura Vartia. 2009.

"Tax Policy for Economic Recovery and Growth."
University of Kent School of Economics Discussion Paper KDPE 0925, University of Kent, Kent, UK.

This paper identifies tax policy that both speeds recovery from the current economic crisis and contributes to long-run growth. This is a challenge because short-term recovery requires increases in demand while long-term growth requires increases in supply. As short-term tax concessions can be hard to reverse, this implies that policies to alleviate the crisis could compromise long-run growth. The analysis makes use of recent evidence on the impact of tax structure on economic growth to identify which growth-enhancing tax changes can also aid recovery, taking account of the need to protect those on low incomes.

■ <http://www.kent.ac.uk/economics/documents/research/papers/2009/0925.pdf>

International Monetary Fund. 2011.

Revenue Mobilization in Developing Countries.
Washington, DC: International Monetary Fund.

This report, prepared by the Fiscal Affairs Department of the International Monetary Fund, discusses how

the Fund has long played a lead role in supporting developing countries' efforts to improve their revenue mobilization. This paper draws on that experience to review issues and good practice, and to assess prospects in this key area.

■ www.imf.org/external/np/pp/eng/2011/030811.pdf

Keen, Michael. 2013.

"The Anatomy of the VAT." IMF Working Paper WP/13/111, International Monetary Fund, Washington, DC.

This paper sets out some tools for understanding the performance of the value added tax (VAT). Applying a decomposition of VAT revenues (as a share of GDP) to the universe of VATs over the last twenty years, it emerges that developments have been driven much less by changes in standard rates than by changes in "C-efficiency" (an indicator of the departure of the VAT from a perfectly enforced tax levied at a uniform rate on all consumption). Decomposing C-efficiency into a "policy gap" (in turn divided into effects of rate differentiation and exemption) and a "compliance" gap (reflecting imperfect implementation), results pieced together for EU members suggest that the former are in almost all cases far larger than the latter, with rate differentiation and exemptions playing roles that differ quite widely across countries.

■ <http://www.imf.org/external/pubs/ft/wp/2013/wp13111.pdf>

Keen, Michael, and Victoria Perry. 2013.

"Issues in International Taxation and the Role of the IMF." IMF Policy Paper, International Monetary Fund, Washington, DC.

This note reviews key issues and initiatives relating to international tax issues, and sets out a work plan that is focused on the Fund's mandate and macroeconomic expertise and that complements the work of other institutions, notably the OECD. The issues of tax avoidance by multinationals and evasion by individuals that are the focus of immediate concerns and initiatives are important instances of macro-relevant cross-country spillovers from national tax design and practices. But there are many others. This work exploits the comparative advantage that the Fund derives from its extensive analytical and technical expertise in the economics and practicalities of international taxation, and its near-universal membership.

■ www.imf.org/external/np/pp/eng/2013/062813.pdf

Kopczuk, Wojciech. 2012.

“Taxation of Intergenerational Transfers and Wealth.” NBER Working Paper No. 18584, National Bureau of Economic Research, Cambridge, MA.

This study reviews empirical and theoretical literature on taxation of intergenerational transfers and wealth. The main message may be summarized as follows: Empirical evidence on bequest motivations and responses to estate taxation is spotty and much remains to be done, but what we know points in the direction of (1) mixed motives (2) heterogeneity of preferences and (3) importance of retaining control over wealth. These patterns are important for normative analysis of taxation toward the top of the distribution. Theoretical work should further focus on understanding implications of inequality of inherited wealth: the topic that has been neglected in the past, even though it is closely related to—more carefully studied, but arguably much less important in practice—externalities from giving. Potential externalities from wealth accumulation and concentration are yet to be seriously addressed.

■ <http://www.nber.org/papers/w18584.pdf>

Mansour, Mario, and Grégoire Rota-Graziosi. 2013.

“Tax Coordination, Tax Competition, and Revenue Mobilization in the West African Economic and Monetary Union.” IMF Working Paper WP/13/163, International Monetary Fund, Washington, DC.

The process of tax coordination in WAEMU is one of the most advanced in the world—de jure at least—but remains in many areas ineffective de facto. Nevertheless, the framework has, to some extent, succeeded in converging tax systems, particularly statutory tax rates, and may have contributed to improving revenue mobilisation. Important lessons can be drawn from the WAEMU experience, particularly in terms of whether coordination should take the form of harmonization through a top-down approach, or a softer approach of sharing best practice and limiting certain types of tax competition.

■ <http://www.imf.org/external/pubs/ft/wp/2013/wp13163.pdf>

Norregaard, John. 2013.

“Taxing Immovable Property: Revenue Potential and Implementation Challenges,” IMF Working Paper WP/13/129, International Monetary Fund, Washington, DC.

The tax on immovable property has been characterized as probably the most unpopular among tax instruments,

in part because it is salient and hard to avoid. But economists continue to emphasize the virtues of the property tax owing to its relatively low efficiency costs, benign impact on growth, and high score on fairness. It is, therefore, generally considered to be underutilized in most countries. This paper takes stock of the arguments for using real property taxation, and presents an updated data-set for high- and middle-income countries to illustrate its use. It also reflects the renewed and widespread interest in property tax reform globally, and discusses the many policy and administrative issues that must be carefully considered as prerequisites for successful property tax reform.

■ <http://www.imf.org/external/pubs/ft/wp/2013/wp13129.pdf>

Organisation for Economic Co-operation and Development. 2013.

***Action Plan on Base Erosion and Profit Shifting.* Paris: OECD.**

Base erosion constitutes a serious risk to tax revenues, tax sovereignty and tax fairness for many countries. While there are many ways in which domestic tax bases can be eroded, a significant source of base erosion is profit shifting. This report presents the studies and data available regarding the existence and magnitude of base erosion and profit shifting (BEPS), and contains an overview of global developments that have an impact on corporate tax matters and identifies the key principles that underlie the taxation of cross-border activities, as well as the BEPS opportunities these principles may create. The report concludes that current rules provide opportunities to associate more profits with legal constructs and intangible rights and obligations, and to legally shift risk intra-group, with the result of reducing the share of profits associated with substantive operations. The report recommends the development of an action plan to address BEPS issues in a comprehensive manner.

■ <http://www.oecd.org/ctp/BEPSActionPlan.pdf>

Piketty, Thomas, and Emmanuel Saez. 2012.

“Optimal Labor Income Taxation.” NBER Working Paper No. 18521, National Bureau of Economic Research, Cambridge, MA.

This paper reviews recent developments in the theory of optimal labor income taxation. It emphasizes connections between theory and empirical work that were initially lacking from optimal income tax theory. First, it provides

historical and international background on labor income taxation and means-tested transfers. Second, it presents the simple model of optimal linear taxation. Third, it considers optimal nonlinear income taxation with particular emphasis on the optimal top tax rate and the optimal profile of means-tested transfers. Fourth, it considers various extensions of the standard model including tax avoidance and income shifting, international migration, models with rent-seeking, relative income concerns, the treatment of couples and children, and non-cash transfers. Finally, it discusses limitations of the standard utilitarian approach and briefly reviews alternatives.

■ <http://www.nber.org/papers/w18521>

Ramey, Valerie A. 2011.

“Can Government Purchases Stimulate the Economy?” *Journal of Economic Literature* 49 (3): 673–85.

This paper reviews the state of knowledge about the government spending multiplier. Based on theoretical work, empirical estimates from the United States, as well as cross-locality estimates, it assesses the range of multiplier values for the experiment most relevant to the stimulus package debate: a temporary, deficit-financed increase in government purchases. I conclude that the multiplier for this type of spending is probably between 0.8 and 1.5.

■ http://www.aeaweb.org/atypon.php?return_to=/doi/pdfplus/10.1257/jel.49.3.673

Riera-Crichton, Daniel, Carlos A. Vegh, and Guillermo Vuletin. 2012.

“Tax Multipliers: Pitfall in Measurement and Identification.” NBER Working Paper No. 18497, National Bureau of Economic Research, Cambridge, MA.

The main focus of this study is on disentangling the discussion regarding the identification of exogenous tax policy shocks from the discussion related to the measurement of tax policy. For this purpose, it builds a novel value-added tax rate dataset and the corresponding cyclically-adjusted revenue measure at a quarterly frequency for 14 industrial countries for the period 1980–2009. It also provides complementary evidence for the United States. On the identification front, the findings favor the use of narratives à la Romer and Romer (2010) to identify exogenous fiscal shocks as opposed to the identification via SVAR. On the (much less explored) measurement front, the results strongly support the use of tax rates as a true

measure of the tax policy instrument as opposed to widely-used, revenue-based measures, such as cyclically-adjusted revenues.

■ <http://www.nber.org/papers/w18497.pdf>

Saez, Emmanuel, Joel B. Slemrod, and Seth H. Giertz. 2009.

“The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review.” NBER Working Paper No. 15012, National Bureau of Economic Research, Cambridge, MA.

This paper critically surveys the large and growing literature estimating the elasticity of taxable income with respect to marginal tax rates (ETI) using tax return data. First, we provide a theoretical framework showing under what assumptions this elasticity can be used as a sufficient statistic for efficiency and optimal tax analysis. We discuss what other parameters should be estimated when the elasticity is not a sufficient statistic. Second, we discuss conceptually the key issues that arise in the empirical estimation of the elasticity of taxable income using the example of the 1993 top individual income tax rate increase in the United States to illustrate those issues. Third, we provide a critical discussion of most of the taxable income elasticities studies to date, both in the United States and abroad, in light of the theoretical and empirical framework we laid out. Finally, we discuss avenues for future research.

■ <http://www.nber.org/papers/w15012.pdf>

2013 Flagship Seminar

UNCONVENTIONAL MONETARY POLICIES AND THEIR CROSS-COUNTRY SPILLOVERS

Sponsored by IMF's Monetary and Capital Markets Department

In response to the 2008–09 global financial crisis, advanced economies have conducted a variety of unconventional monetary policies (UMPs). These aimed to restore the functioning of financial markets and intermediation and to provide further monetary policy accommodation at the zero lower bound on interest rates to boost economic activity. The seminar aims to discuss a range of topical questions related to UMPs, including: 1) Effectiveness of UMPs in achieving intended domestic objectives and boosting global growth; 2) Negative side-effects and risks of UMPs, both domestically and across borders, including risks of exiting UMPs too early or too late as well as lessons from market turbulence after the Fed's “tapering off” announcement in May; and 3) Coping with side effects and managing risks.



Bauer, Michael D., and Christopher J. Neely. 2013.

“International Channels of the Fed’s Unconventional Monetary Policy.” Working Paper 2012-028B, Federal Reserve Bank of St. Louis, St. Louis, MO.

Previous research has established that the Federal Reserve’s large scale asset purchases (LSAPs) significantly influenced international bond yields. We use dynamic term structure models to uncover to what extent signaling and portfolio balance channels caused these declines. For the U.S. and Canada, the evidence supports the view that LSAPs had substantial signaling effects. For Australian and German yields, signaling effects were more moderate and portfolio balance effects likely played a larger role. Both signaling and portfolio balance effects were small for Japanese yields. Our conclusions regarding the empirical importance of LSAP channels are consistent with predictions based on interest rate dynamics during normal times: Signaling effects tend to be large for countries with strong yield responses to conventional U.S. monetary policy surprises, and portfolio balance effects depend on the degree of substitutability across countries, measured using correlation between foreign and U.S. bond returns.

■ <http://research.stlouisfed.org/wp/2012/2012-028.pdf>

Baumeister, Christiane, and Luca Benati. 2010.

“Unconventional Monetary Policy and the Great Recession: Estimating the Impact of a Compression in the Yield Spread at the Zero Lower Bound.” European Central Bank Working Paper No. 1258, European Central Bank, Frankfurt am Main, Germany.

This paper explores the macroeconomic impact of a compression in the long-term bond yield spread within the context of the Great Recession of 2007–2009 via a Bayesian time-varying parameter structural VAR. The research identifies a “pure” spread shock which, leaving the short-term rate unchanged by construction, allows for the macroeconomic impact of a compression in the yield spread induced by central banks’ asset purchases within an environment in which the short rate cannot move because it is constrained by the zero lower bound.

■ <http://www.ecb.europa.eu/pub/pdf/scpwps/ecb-wp1258.pdf>

Bean, Charles. 2013.

“Global Aspects of Unconventional Monetary Policies.” Remarks at the Federal Reserve Bank of Kansas City Economic Policy Symposium, Jackson Hole, WY, August 24.

In remarks delivered at the Jackson Hole Economic Policy Symposium, Charlie Bean reviews the domestic and international consequences of the unconventional monetary policies adopted by central banks since the start of the financial crisis. He reviews the channels of propagation and notes that spillovers from these policies are diverse in nature and ambiguous in overall sign and pushes back on suggestions that monetary policies need to internalize these spillovers and be better coordinated. Ending with a few words on the exit from unconventional monetary policies, he notes that the heterogeneous nature of the recovery will complicate matters, particularly given the risk that markets see tightening moves in one country as an indication that tightening may occur elsewhere.

■ <http://www.bankofengland.co.uk/publications/Documents/speeches/2013/speech674.pdf>

Borio, Claudio, and Piti Disyatat. 2009.

“Unconventional Monetary Policies: An Appraisal.” BIS Working Paper No. 292, Bank for International Settlements, Basel, Switzerland.

The global financial crisis led central banks to rely heavily on “unconventional” monetary policies. The debate has been complicated by the use of different definitions and conflicting views of the mechanisms at work. This paper sets out a framework which highlights the overall context of monetary policy implementation. The framework clarifies the differences among the various forms of unconventional monetary policy, provides a systematic characterization of the wide range of central bank responses to the crisis, helps to underscore the channels of transmission, and identifies some of the main policy challenges. The paper also addresses analytical issues, notably the role of bank reserves and their inflationary consequences.

■ <http://www.bis.org/publ/work292.htm>

Eggertsson, Gauti B., and Michael Woodford. 2003.

“The Zero Bound on Interest Rates and Optimal Monetary Policy.” *Brookings Papers on Economic Activity* 34 (1): 139–233.

This paper considers the consequences for monetary policy of the zero floor for nominal interest rates. The zero bound can be a significant constraint on

the ability of a central bank to combat deflation. The paper shows, in the context of an intertemporal equilibrium model, that open-market operations, even of “unconventional” types, are ineffective if future policy is expected to be purely forward looking. However, a credible commitment to the right sort of history-dependent policy can largely mitigate the distortions created by the zero bound. In the model, optimal policy involves a commitment to adjust interest rates so as to achieve a time-varying price-level target, when this is consistent with the zero bound.

■ http://www.brookings.edu/~media/Files/Programs/ES/BPEA/2003_1_bpea_papers/2003a_bpea_eggertsson.pdf

Fratzscher, Marcel, Marco Lo Duca, and Roland Straub. 2013.

“On the International Spillovers of US Quantitative Easing.” European Central Bank Working Paper 1557, European Central Bank, Frankfurt am Main, Germany.

The paper analyses the global spillovers of the Federal Reserve’s unconventional monetary policy measures. First, we find that Fed measures in the early phase of the crisis (QE1) were highly effective in lowering sovereign yields and raising equity markets, especially in the US relative to other countries. Fed measures since 2010 (QE2) boosted equities worldwide, while they had muted impact on yields across countries. Yet Fed policies functioned in a procyclical manner for capital flows to emerging markets (EMEs) and a counter-cyclical way for the US, triggering a portfolio rebalancing across countries out of EMEs into US equity and bond funds under QE1, and in the opposite direction under QE2. Second, the impact of Fed operations, such as Treasury and MBS purchases, on portfolio allocations and asset prices dwarfed those of Fed announcements, underlining the importance of the market repair and liquidity functions of Fed policies. Third, we find no evidence that FX or capital account policies helped countries shield themselves from these US policy spillovers, but rather that responses to Fed policies are related to country risk. The results thus illustrate how US unconventional measures have contributed to portfolio reallocation as well as a re-pricing of risk in global financial markets.

■ <http://www.ecb.europa.eu/pub/pdf/scpwps/ecb-wp1557.pdf>

Fujita, Kenji, Kotaro Ishi, and Mark Stone. 2010.

“Exiting from Monetary Crisis Intervention Measures: Background Paper.” IMF Policy Paper, International Monetary Fund, Washington, DC.

This paper elaborates on the previous paper “Exiting from Crisis Intervention Policies,” on the crisis intervention measures implemented by central banks. The financial crisis that began in the summer of 2007 compelled central banks to employ a wide range of measures. Central banks have started withdrawing some of those measures as market conditions have improved, but the timeline and modalities for exiting are uncertain. Thus, whether, when, and how to exit from crisis interventions remains an important issue for many central banks.

■ <http://www.imf.org/external/np/pp/eng/2010/012510.pdf>

Gagnon, Joseph, Matthew Raskin, Julie Remache, and Brian Sack. 2011.

“The Financial Market Effects of the Federal Reserve’s Large-Scale Asset Purchases.” *International Journal of Central Banking* 7 (1): 1-43.

Since December 2008, the Federal Reserve’s traditional policy instrument, the target federal funds rate, has been effectively at its lower bound of zero. In order to further ease the stance of monetary policy as the economic outlook deteriorated, the Federal Reserve purchased substantial quantities of assets with medium and long maturities. This paper explains how the purchases were implemented and how they can affect the economy. There is evidence that the purchases led to economically meaningful and long-lasting reductions in longer-term interest rates on a range of securities, including securities that were not included in the purchase programs

■ <http://www.ijcb.org/journal/ijcb11q1a1.htm>

Habermeier, Karl, Luis Jacome, Tommaso Mancini Griffoli, Chikako Baba, Jiaqian Chen, Simon Gray, Tomas Mondino, et al. 2013.

“Unconventional Monetary Policies: Recent Experiences and Prospects.” IMF Policy Paper, International Monetary Fund, Washington, DC.

This paper addresses three questions about unconventional monetary policies: what policies were tried, and with what objectives; were policies effective; and what role might these policies continue

to play in the future. Central banks in the United States, United Kingdom, Japan, and euro area adopted a series of unconventional monetary policies with two broad goals. The first was to restore the functioning of financial markets and intermediation. The second was to provide further monetary policy accommodation at the zero lower bound. These two goals are clearly related, as both ultimately aim to ensure macroeconomic stability.

■ <http://www.imf.org/external/pp/longres.aspx?id=4764>

Habermeier, Karl, and Tommaso Mancini Griffoli. 2013.

“Summary of Informal Discussions with Central Bankers and Other Officials on Unconventional Monetary Policies.” IMF Policy Paper, International Monetary Fund, Washington, DC.

A series of conference calls were held in March 2013 with selected representatives of central banks and other official agencies in advanced and emerging market economies to seek views on unconventional monetary policies (UMP). The key points raised during the discussions are summarized.

■ <http://www.imf.org/external/pp/longres.aspx?id=4766>

International Monetary Fund. 2013.

“Do Central Bank Policies Since the Crisis Carry Risks to Financial Stability?” in *Global Financial Stability Report: Old Risks, New Challenges*, 93-126. Washington, DC: International Monetary Fund.

This chapter investigates the monetary policies pursued by four central banks (the Federal Reserve, Bank of England, European Central Bank, and Bank of Japan), including prolonged periods of low real policy interest rates and unconventional measures, including asset purchases. The policies appear to have lessened banking sector vulnerabilities and contributed to financial stability in the short term. However, policymakers should be alert to the possibility that risks may rise the longer these policies are maintained. Though not fail-safe, targeted micro- and macroprudential tools should be used to mitigate risks while allowing greater leeway for monetary policy to support the macroeconomy.

■ <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40202>

International Monetary Fund. 2013.

“IMF Multilateral Policy Issues Report: 2013 Spillover Report.” IMF Policy Paper, International Monetary Fund, Washington, DC

Five years after the global financial crisis, the severe tensions and risks rooted last year in some of the “Systemic five” (S5)—China, euro area, Japan, United Kingdom, United States—have abated but are still operating below potential, i.e., they are not contributing to global activity as much as they might: if they could somehow close their output gaps, global output would be closer to potential by 3 percentage points. Meanwhile, many parts of the rest of the world have been at or near potential. Most recently though, there have been signs of accelerated recovery in the United States and slowdown in emerging markets. This continued divergence in cyclical positions poses a global challenge, namely to find policies that help the S5 close their output gap without over-stimulating or over-tightening, through spillovers, economies that do not need it.

■ <http://www.imf.org/external/pp/longres.aspx?id=4788>

Joyce, Michael, David Miles, Andrew Scott, and Dimitri Vayanos. 2012.

“Quantitative Easing and Unconventional Monetary Policy: An Introduction.” *The Economic Journal* 122 (564): F271-F288.

This article assesses the impact of quantitative easing and other unconventional monetary policies followed by central banks in the wake of the financial crisis that began in 2007. We consider the implications of theoretical models for the effectiveness of asset purchases and look at the evidence from a range of empirical studies. We also provide an overview of the contributions of the other articles in this feature.

■ <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0297.2012.02551.x/abstract>

Krishnamurthy, Arvind, and Annette Vissing-Jorgensen. 2011.

“The Effects of Quantitative Easing on Interest Rates: Channels and Implications for Policy.” *Brookings Papers on Economic Activity* Fall: 215-587.

This paper evaluates the effect of the Federal Reserve’s purchase of long-term Treasuries and other long-term bonds (QE1 in 2008–09 and QE2 in 2010–11) on interest rates. Using an event-study methodology, it reaches two main conclusions. First,

it is inappropriate to focus only on Treasury rates as a policy target, because quantitative easing works through several channels that affect particular assets differently. It found evidence for a signaling channel, a unique demand for long-term safe assets, and an inflation channel for both QE1 and QE2, and a mortgage-backed securities (MBS) prepayment channel and a corporate bond default risk channel for QE1 only. Second, effects on particular assets depend critically on which assets are purchased. The event study suggests that MBS purchases in QE1 were crucial for lowering MBS yields as well as corporate credit risk and thus corporate yields for QE1, and Treasuries only purchases in QE2 had a disproportionate effect on Treasuries and agency bonds relative to MBSs and corporate bonds, with yields on the latter falling primarily through the market's anticipation of lower future federal funds rates.

■ http://www.brookings.edu/~media/projects/bpea/fall-2011/2011b_bpea_krishnamurthy.pdf

Lam, W. Raphael. 2011.

“Bank of Japan’s Monetary Easing Measures: Are They Powerful and Comprehensive?” IMF Working Paper WP/11/264, International Monetary Fund, Washington, DC.

With policy rates near the zero bound, the Bank of Japan (BoJ) has introduced a series of unconventional monetary easing measures since late 2009 in response to lingering deflation and a weakening economy. These measures culminated in a new Asset Purchase Program under the Comprehensive Monetary Easing (CME) which differs from typical quantitative easing in other central banks by including purchases of risky asset in an effort to reduce term and risk premia.

■ <http://www.imf.org/external/pubs/cat/longres.aspx?sk=25357.0>

Mancini-Griffoli, Tommaso, Jiaqian Chen, Simon Gray, Tomas Mondino, Tahsin Saadi Sedik, Hideyuki Tanimoto, Nico Valckx, et al. 2013.

“Unconventional Monetary Policies—Recent Experiences and Prospects—Background Paper.” IMF Policy Paper, International Monetary Fund, Washington, DC.

This paper provides background information to another paper entitled, “The Role and Limits of Unconventional Monetary Policy.” This paper is divided

in five distinct sections, each focused on a different topic covered in the main paper, though most relate to bond purchase programs. As a result, this paper centers on the experience of the United States Federal Reserve (Fed), the Bank of England (BOE) and the Bank of Japan (BOJ), mostly leaving the European Central Bank (ECB) aside given its focus on restoring the functioning of financial markets and intermediation.

■ <http://www.imf.org/external/pp/longres.aspx?id=4765>

Meier, André. 2009.

“Panacea, Curse, or Nonevent? Unconventional Monetary Policy in the United Kingdom.” IMF Working Paper WP/09/163, International Monetary Fund, Washington, DC.

The Bank of England’s current “quantitative easing” strategy has given rise to a controversial debate about the effects and risks of unconventional monetary policy. The present paper makes two contributions to this debate. First, it provides a systematic overview of unconventional policy options, drawing from existing theoretical and empirical studies. Against this backdrop, it then analyzes the BoE’s specific policies, discussing their effectiveness so far and putting them into a cross-country context. Tentative evidence on the BoE’s quantitative easing is moderately encouraging, although the strategy is neither guaranteed to succeed nor as perilous as some of its detractors claim.

■ <http://www.imf.org/external/pubs/cat/longres.aspx?sk=23161.0>

Neely, Christopher J. 2012.

“The Large-Scale Asset Purchases Had Large International Effects.” Working Paper 2010-018D, Federal Reserve Bank of St. Louis, St. Louis, MO.

This paper evaluates the effect of the Federal Reserve’s large scale asset purchases (LSAP) on international long bond yields and exchange rates and then considers whether the observed behavior is consistent with a simple portfolio balance model and previous estimates of the impact of equivalent federal funds stimulus on exchange rates. The LSAP announcements substantially reduced international long-term bond yields and the spot value of the dollar. These changes closely followed announcement times and were very unlikely to have occurred by chance. The jump depreciations of the U.S. dollar are consistent with estimates of the

impacts of previous equivalent monetary policy shocks. The portfolio choice model explains the changes in expected U.S. and foreign real bond yields very well, conditional on the observed exchange rate jumps. The LSAP announcements do not appear to have reduced yields by reducing expectations of real growth

■ <http://research.stlouisfed.org/wp/more/2010-018>

Rajan, Raghuram. 2013.

“A Step in the Dark: Unconventional Monetary Policy after the Crisis.” Andrew Crockett Memorial Lecture, Bank for International Settlements, Basel, Switzerland.

In the first Andrew Crockett Memorial Lecture at the Bank for International Settlements (BIS), Mr. Rajan argues that unconventional monetary policy has truly been a step in the dark and raises the question of why central bankers have departed from their usual conservatism.

■ <http://www.bis.org/events/agm2013/sp130623.pdf>

Stein, Jeremy C. 2013.

“Comments on Monetary Policy.” Speech at the C. Peter McColough Series on International Economics, Council on Foreign Relations, New York, June 28.

In his speech, Governor Stein discusses the initial design and conception of the round of asset purchases. Two features of the program are noteworthy. The first is its flow-based, state-contingent nature—the notion that it is intended to continue with purchases until the outlook for the labor market has improved substantially in a context of price stability. The second is the fact that—in contrast to the forward guidance for the federal funds rate—at the outset of the program not to articulate what “substantial improvement” means with a specific numerical threshold. While the program is meant to be data-dependent, it did not spell out the nature of data-dependence in a formulaic way.

■ <http://www.federalreserve.gov/newsevents/speech/stein20130628a.htm>

Stone, Mark R., Kenji Fujita, and Kotaro Ishi. 2011.

“Should Unconventional Balance Sheet Policies Be Added to the Central Bank Toolkit? A Review of Experiences So Far.” IMF Working Paper WP/11/145, International Monetary Fund, Washington, DC.

What is the case for adding the unconventional balance sheet policies used by major central banks since

2007 to the standard policy toolkit? The record so far suggests that the new liquidity providing policies in support of financial stability generally warrant inclusion. As the balance sheet policies aimed at macroeconomic stability were used only by a small number of highly credible central banks facing a lower bound constraint on conventional interest rate policy, they are not relevant for most central banks or states of the world. Best practices of these policies are documented in this paper.

■ <http://www.imf.org/external/pubs/cat/longres.aspx?sk=24988.0>

Tepper, Alexander, Jeffrey Moore, Myeongguk Suh, and Sunwoo Nam. 2013.

“Estimating the Impacts of the U.S. LSAPs on Emerging Market Economies’ Local Currency Bond Markets.” Federal Reserve Bank of New York Staff Report No. 595, Federal Reserve Bank of New York, New York.

This paper examines whether large-scale asset purchases (LSAPs) by the Federal Reserve influenced capital flows out of the United States and into emerging market economies (EMEs) and also analyzes the degree of pass-through from long-term U.S. government bond yields to long-term EME bond yields. Using panel data from a broad array of EMEs, our empirical estimates suggest that a 10-basis-point reduction in long-term U.S. Treasury yields results in a 0.4-percentage-point increase in the foreign ownership share of emerging market debt. This, in turn, is estimated to reduce government bond yields in EMEs by approximately 1.7 basis points. Federal Reserve LSAPs, which most previous studies have found reduced ten-year U.S. Treasury yields between 60 and 110 basis points during our sample period, therefore likely contributed to U.S. outflows into EMEs and marginal reductions in longer-term EME government bond yields. These effects are qualitatively similar to conventional U.S. monetary policy easing. To assess the robustness of these estimates, we also employ event study and vector autoregression methodologies, finding broadly similar results using these methods. While these results hold in the aggregate, marginal effects vary notably across emerging market countries.

■ http://www.newyorkfed.org/research/staff_reports/sr595.pdf

Woodford, Michael. 2012.

“Methods of Policy Accommodation at the Interest-Rate Lower Bound.” In *Economic Symposium Conference Proceedings: The Changing Policy Landscape, 185-288, Kansas City, MO: Federal Reserve Bank of Kansas City.*

This paper discusses two of the main alternatives that have been the focus not only of considerable recent discussion, but a fair amount of policy experimentation, in a number of countries. The first is forward guidance—explicit statements by a central bank about the outlook for future policy, in addition to its announcements about the immediate policy actions that it is undertaking. While this is not necessarily a dimension of policy that becomes relevant only at the interest-rate lower bound, the experience of reaching the lower bound has undoubtedly increased the willingness of central banks like the Fed to experiment with more explicit forms of forward guidance, making statements about future policy that are both more precise and quantitative and that refer to policy decisions much farther in the future than was understood to be intended in the case of past (relatively cryptic) statements about future policy. A second broad category of additional dimensions of policy is balance-sheet policies, in which the central bank varies either the size or the composition of its balance sheet, even in the absence of any change in its target for overnight interest rates, rather than operating in financial markets purely for the purpose of implementing its interest-rate target.

■ http://www.kc.frb.org/publicat/sympos/2012/Woodford_final.pdf

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