

# 2020 RIDGE VIRTUAL FORUM

## WORKSHOP ON INTERNATIONAL MACRO

2020 RIDGE DECEMBER VIRTUAL FORUM

Montevideo, Uruguay / December 7-8, 2020

### Scientific Committee

Javier Bianchi (Federal Reserve Bank of Minneapolis)  
Ana Fostel (University of Virginia)  
Gerardo Licandro (Banco Central del Uruguay)  
Pablo Andrés Neumeyer (U. Torcuato di Tella)  
Juan Pablo Nicolini (Federal Reserve Bank of Minneapolis)

### Keynote Speaker

Ivan Werning (MIT)

**REGISTRATION**

The Financial Stability and Development (FSD) Network of the IDB is  
co-organizer of the Workshop



## WORKSHOP PROGRAM

**NOTICE: All times are for Montevideo, Uruguay (UTC -3)**

DECEMBER, Monday 7<sup>th</sup>

### Session 1 – COVID and Fiscal sustainability

**11:10 – 12:30**

Chair: Juan Carlos Hatchondo

• **[Deadly Debt Crises: Covid-19 in Emerging Markets](#)**

**Cristina Arellano**, Federal Reserve Bank of Minneapolis

**Discussant: Santiago Garcia Verdú**, CEMLA

• **[Seigniorage and Sovereign Default](#)**

**Juan M. Sanchez**, Federal Reserve Bank of St. Louis

**Discussant: Javier García-Cicco**, Central Bank of Argentina

**12:30 – 13:00**

Virtual Coffee Break

### Policy Panel

**13:00 – 14:00**

Chair: Andy Neumeyer

#### **The real and fiscal aftermath of the pandemic**

The pandemic comes to the region at a time in which the commodity boom of the 2000s was already long gone, and when the strengths once built had already showed significant weakening. Though highly asymmetric, the response of the countries in the region was generally strong and fiscal deficits soared in 2020. Public debt increased both due to the fiscal effort and the fall in GDP caused by the health emergency. The pandemic has had a transforming effect in the real economy, and it is likely that the economy we will have in the next five years would be rather different than the one we had the last five. How should countries customize its policies to better fit the recovery? How large is the effort that public finances have to make? How should countries manage their debts? Are we going to face a cluster of debt restructuring episodes?

#### **Participants:**

- **Mauricio Cardenas**, Columbia University
- **Roberto Chang**, Rutgers University
- **Andrew Powell**, Inter-American Development Bank

Keynote Speaker

10:50 – 11:50

Chair: Javier Bianchi

• **Taming a Minsky Cycle**

Iván Werning, MIT

Session 2

11:50 – 12:50

Chair: Omar Licandro

• **This Time It's Different: The Role of Women's Employment in a Pandemic Recession**

Michèle Tertilt, Mannheim University

Discussant: Marco Vega, Central Bank of Peru

• **Why Working From Home Will Stick**

Nicholas A. Bloom, Stanford University

Discussant: Ernesto Pastén, Central Bank of Chile

12:50 – 13:00

Virtual Coffee Break

Policy Panel

13:00 – 14:00

Chair: Ana Fostel

**Financial Stability aftermath of COVID**

(Co-organized with the Financial Stability and Development Network of the IDB)

COVID 19 has already shown its face as one of the worst economic events of the last century, but what we have seen so far could be only the tip of the iceberg. The combined effects of a very persistent demand and supply shock, together with the acceleration of technological change and a profound change in consumer preferences will affect businesses in years to come. One of the most pressing challenges that economies face in this transition period is coping with the death of firms and its impact on financial stability. How deep is the problem in the region? Have we saved firms? And if so Are we creating an army of zombie firms that will stumble rather than thrive in the new environment? What are the keys to facilitating corporate restructuring and avoiding cascading effects on the financial sector? At the same time, public finances have worsened reducing the ability of governments to help the financial sector? Are our financial sectors and public accounts independent or is there the possibility of facing a vicious sustainability circle? What are the lessons we can draw from successful countries?

**Participants:**

- **Liliana Rojas Suarez**, Latin American Initiative at the Center for Global Development
- **Martín Rama**, Banco Mundial
- **Hyun Song Shin**, BIS

## Keynote Speaker



**Iván Werning** is an Argentinian economist with research focus in public finance and macroeconomics. He is the Robert M. Solow Professor of Economics at the Massachusetts Institute of Technology, where he has been since earning his PhD from the University of Chicago in 2002. He is a member of the American Academy of Arts and Sciences, a fellow of the Econometric Society, and a Research Fellow at the National Bureau of Economic Research.

## Policy Panels

### The real and fiscal aftermath of the pandemic

The pandemic comes to the region at a time in which the commodity boom of the 2000s was already long gone, and when the strengths once built had already showed significant weakening. Though highly asymmetric, the response of the countries in the region was generally strong and fiscal deficits soared in 2020. Public debt increased both due to the fiscal effort and the fall in GDP caused by the health emergency. The pandemic has had a transforming effect in the real economy, and it is likely that the economy we will have in the next five years would be rather different than the one we had the last five. How should countries customize its policies to better fit the recovery? How large is the effort that public finances have to make? How should countries manage their debts? Are we going to face a cluster of debt restructuring episodes?

### Participants:



**Roberto Chang** is a Distinguished Professor at Rutgers University and a Research Associate at the National Bureau of Economic Research. Previously he was an Assistant Professor at New York University and a Research Officer at the Federal Reserve Bank of Atlanta. He has also served as a visiting faculty member at Princeton University, Columbia University, and London School of Economics and Political Science.

Professor Chang has published extensively on monetary economics, exchange rate policy, and financial crises. He has been an editorial board member of the Journal of International Economics and the Journal of Development Economics, a member of the Economics Panel of the National Science Foundation, and an advisor and consultant for financial and policy institutions including the IMF, the World Bank, the BIS, and the Inter American Development Bank.

Professor Chang is a native of Peru and holds a Ph.D. in Economics from the University of Pennsylvania. He currently lives in Westfield, NJ.



**Mauricio Cárdenas** is Senior Research Fellow at the Center on Global Energy Policy at Columbia University, where he also teaches public finance. He is a member of <https://theindependentpanel.org>, that is assessing the global response to the Covid-19 pandemic. As Colombia's minister of finance from 2012 to 2018, Cárdenas oversaw a successful adjustment program during the oil shock of 2014-2016. Despite a 50% reduction in exports and the loss of one-fifth of government revenues, Colombia preserved its investment grade status and was able to

achieve remarkable social and economic progress. While in office, Cárdenas led a series of reforms that resulted in a significant expansion in formal employment and foreign investment. He was also responsible of coordinating efforts for Colombia's accession to the OECD, which was completed in 2018. Cárdenas was Chairman of the Boards of Governors of the World Bank and the International Monetary Fund and of the Intergovernmental Group of Twenty-Four (G-24). He was chosen by Euromoney, as the world's finance minister of the year in 2015, and received several awards as best finance minister in Latin America. Previously, he served as minister of mines and energy, Director of National Planning, Minister of Economic Development, and Minister of Transport. Cárdenas has twice been the executive director of Fedesarrollo, Latin America's premier economic and social policy think tank. He has also been a senior fellow at the Brookings Institution, where he led the Latin American Initiative. Cárdenas holds a PhD in economics from the University of California, Berkeley, and undergraduate and master's degrees from the University of the Andes. He is married and has three daughters.



**Andrew Powell** is the Principal Advisor in the Research Department of the Inter-American Development Bank. He holds a Ba, MPhil. and DPhil. (PhD) from the University of Oxford. Through 1994 he dedicated himself to academia in the United Kingdom as Prize Research Fellow at Nuffield College, Oxford and Associate Professor (Lecturer) at London University and the University of Warwick. In 1995, he joined the Central Bank of Argentina and was named Chief Economist in 1996. In March 2001, he returned to academia, joining the Universidad Torcuato Di Tella in Buenos Aires as Professor and Director of Graduate Programs in Finance. He has been a Visiting Scholar at the World

Bank, IMF and Harvard University. He joined the IDB's Research Department in 2005 as Lead Research Economist, subsequently served as Regional Economic Advisor for the Caribbean Region before returning to the Research Department as the Principal Advisor. He has published numerous [academic papers](#) in leading economic journals in areas including commodity markets, risk management, the role of multilaterals, regulation, banking and international finance. He has been the coordinator of the IDB's [Latin American and Caribbean Macroeconomic Report](#) for several years, was the editor of the 2020 [Development in the Americas IDB Flagship Report](#) on infrastructure and a recent [report](#) on risks to banking systems in Latin America and the Caribbean

## Financial Stability aftermath of COVID

COVID 19 has already shown its face as one of the worst economic events of the last century, but what we have seen so far could be only the tip of the iceberg. The combined effects of a very persistent demand and supply shock, together with the acceleration of technological change and a profound change in consumer preferences will affect businesses in years to come. One of the most pressing challenges that economies face in this transition period is coping with the death of firms and its impact on financial stability. How deep is the problem in the region? Have we saved firms? And if so Are we creating an army of zombie firms that will stumble rather than thrive in the new environment? What are the keys to facilitating corporate restructuring and avoiding cascading effects on the financial sector? At the same time, public finances have worsened reducing the ability of governments to help the financial sector? Are our financial sectors and public accounts independent or is there the possibility of facing a vicious sustainability circle? What are the lessons we can draw from successful countries?

### Participants:



**Liliana Rojas-Suarez** is the Director of the Latin America Initiative and a senior fellow at the Center for Global Development with expertise on Latin America, financial regulation, digital financial inclusion, Basel II and III, and the development impact of global financial flows. She is the co-author or editor of almost a dozen books, including *Growing Pains in Latin America: An Economic Growth Framework as Applied to Brazil, Colombia, Costa Rica, Mexico and Peru*. She co-chaired the CGD Task Forces on “Making Basel III Work for Emerging Markets and Developing Economies” and “Financial Regulations for Improving Financial Inclusion” and is currently working on the “Policy Decision Tree for Digital Financial Inclusion Policymaking” project.

She is also the chair of the Latin American Committee on Macroeconomic and Financial Issues (CLAAF) and Adjunct Professor at the School of International and Public Affairs at Columbia University, New York. From March 1998 to October 2000, she served as managing director and chief economist for Latin America at Deutsche Bank. Before joining Deutsche Bank, Rojas-Suarez was the principal advisor in the Office of Chief Economist at the Inter-American Development Bank. Between 1984 and 1994 she held various positions at the International Monetary Fund, most recently as deputy chief of the Capital Markets and Financial Studies Division of the Research Department. She has been a visiting fellow at the Institute for International Economics, a visiting advisor at the Bank for International Settlements and at the Central Bank of Spain. She has also served as a professor at Anahuac University in Mexico and advisor for PEMEX, Mexico’s National Petroleum Company. Rojas-Suarez has also testified before a Joint Committee of the U.S. Senate on the issue of dollarization in Latin America.

She has published widely in the areas of macroeconomic policy, international economics and financial markets in a large number of academic and other journals including *Journal of International Economics*, *Journal of International Money and Finance*, *Journal of Development Economics*, *Journal of Contemporary Economic Policy*, *International Monetary Fund Staff Papers*. She has also published or being cited in prestigious

newspapers such as the Financial Times, the Wall Street Journal and the Washington Post. She is also regularly interviewed by CNN en Español.

She was also awarded the prize “The Economist of the year,” granted by the Peruvian Chamber of Commerce in 2012.



**Martin Rama** is currently the World Bank's Chief Economist for the Latin America and Caribbean region. From 2013 to 2018, he held the same position for the South Asia region based in Delhi, India. He was director of the 2013 World Development Report (WDR), whose central theme was employment. From 2002 to 2010, he was in Hanoi where he led the World Bank's economic program for Vietnam. Before working in the operational area, he spent ten years in the World Bank's research department.

Martin Rama obtained his BA in Economics from the University of the Republic (Uruguay) in 1981 and a Ph.D. in macroeconomics from the Université de Paris I (France) in 1985. He is affiliated with several research centers in developing countries. In parallel with his duties at the World Bank, from 1990 to 2005, he was a visiting professor at the degree program in economic development at the Université de Paris.



**Hyun Song Shin** took up the position of Economic Adviser and Head of Research at the Bank for International Settlements (BIS) on 1 May 2014. Before joining the BIS, Mr Shin was the Hughes-Rogers Professor of Economics at Princeton University. In 2010, on leave from Princeton, he served as Senior Adviser to the Korean president, taking a leading role in formulating financial stability policy in Korea and developing the agenda for the G20 during Korea's presidency. From 2000 to 2005, he was Professor of Finance at the London School of Economics. He holds a DPhil and MPhil in Economics from Oxford University (Nuffield College) and a BA in Philosophy, Politics and Economics from the same university.

#### **Time distribution:**

Presenters: 20 minutes

Discussants: 5 minutes

Q&A: 5 minutes