

# Monetary policy spillovers in a financially integrated world

Joint Danmarks Nationalbank – BIS conference to mark the 200th anniversary of Danmarks Nationalbank, Copenhagen, 7-8 September 2018



DANMARKS  
NATIONALBANK  
200 YEARS



2018



Attendance is by invitation only.  
Programme not to be published until after the event.

# INTRODUCTION TO THE CONFERENCE

*Danmarks Nationalbank celebrates its 200-year anniversary in 2018. As part of the anniversary celebrations, Danmarks Nationalbank and the Bank for International Settlements are organising this high-level conference on "Monetary policy spillovers in a financially integrated world".*

The conference will provide a forum for global central bankers and leading academics to discuss key monetary policy issues of the day:

- What lessons were learnt about the main forces that drove the global economy into the era of unconventional monetary policies and unprecedented monetary policy spillovers?
- What monetary policy and macroprudential challenges still face central banks in the current economic and political environment? What more should be done?
- How has our understanding of exchange rate regimes evolved over time, especially in the light of trends in economic and financial globalisation? Is the concept of the classical exchange rate "trinity" obsolete?
- What role should exchange rates play in monetary policy frameworks, including consideration of shortcomings in the international monetary system? Is exchange rate stability a precondition for lasting price and financial stability?

The conference will conclude with a policy panel with particular focus on the special challenges facing central banks in small, open economies.

The conference will be closed to media. There will be a separate "doorstep press/media event" after the end of the conference.

The keynote speakers and discussants have been invited to have a written version of their interventions in the conference proceedings which will be published after the event. The proceedings will also include the programme and a short summary of the discussion of the topics on the agenda (Chatham House Rules – no identification of the individual speaker or participant). The proceedings will become freely available at Danmarks Nationalbank's website.

# PROGRAMME

## 6 September 2018

**19:00 – 21.30**      **Pre-conference dinner**  
Venue: Vækst, Sankt Peders Stræde 34, DK-1453 Copenhagen K  
Dress code: Business casual

## 7 September 2018

**12:00 – 12:30**      **Registration**  
Venue: The Hans Christian Andersen Castle in Tivoli,  
H.C. Andersens Boulevard 20-22, DK-1553 Copenhagen V

**12:30 – 13:30**      **Buffet lunch**  
Venue: Gemyse in Tivoli

**14:00 – 18:00**      **Conference – Day 1**  
Venue: The Hans Christian Andersen Castle in Tivoli  
Dress code: Business attire

**14:00 – 14:30**      **Opening remarks**  
**Lars Rohde**, Danmarks Nationalbank  
**Agustín Carstens**, Bank for International Settlements

**14:30 – 15:50**      **Session 1**  
**From the Great Moderation to the Great Recession and beyond – how did we get here and what lessons have we learned?**  
Chair: **Claudia M. Buch**, Deutsche Bundesbank  
Keynote (20 min.): **Kenneth Rogoff**, Harvard University  
Discussants (40 min.): **Frank Smets**, European Central Bank  
**Donald Kohn**, Brookings Institution  
General discussion (20 min.)

**15:50 – 16:30**      **Coffee break**

**16:30 – 18:00**      **Session 2**  
**Coping with the current challenges for central banks**  
Chair: **Peter Praet**, European Central Bank  
Keynote (20 min.): **Axel A. Weber**, UBS  
Discussants (40 min.): **Mohamed A. El-Erian**, Allianz  
**Charles Bean**, London School of Economics  
General discussion (30 min.)

**19:30 – 22:30**      **Reception and dinner**  
*With partners*  
Venue: Danmarks Nationalbank, Havnegade 5, DK-1093 Copenhagen K  
Dress code: Business attire

**Dinner speech:**

Exchange rate regimes in a globalised economy:  
challenges and prospects

Chair: **Niels Thygesen**, University of Copenhagen  
Dinner speaker (15 min.): **Stanley Fischer**, MIT  
Questions (5 min.)

## 8 September 2018

**8:30 – 9:00**

**Registration and coffee**

Venue: The Hans Christian Andersen castle in Tivoli

**9:00 – 12:30**

**Conference – Day 2**

Venue: The Hans Christian Andersen castle in Tivoli  
Dress code: Business attire

**9:00 – 10:20**

**Session 3**

Life in the periphery

Chair: **Øystein Olsen**, Norges Bank  
Keynote (20 min.): **Stephen S. Poloz**, Bank of Canada  
Discussants (40 min.): **Veerathai Santiprabhob**, Bank of Thailand  
**Hélène Rey**, London Business School  
General discussion (20 min.)

**10:20 – 11:00**

**Coffee break**

**11:00 – 12:15**

**Panel discussion**

The future of central banking from a small open-economy perspective

Chair: **Lars Rohde**, Danmarks Nationalbank  
Panelists: **Mar Gudmundsson**, Central Bank of Iceland  
**Philip Lowe**, Reserve Bank of Australia  
**Stefan Ingves**, Sveriges Riksbank  
**Thomas Jordan**, Swiss National Bank  
**Karnit Flug**, Bank of Israel

Format: 5-10 min. introduction by each panelist followed by panel discussion and general discussion

**12:15 – 12:30**

**Closing remarks**

**Lars Rohde**, Danmarks Nationalbank

**12:45 – 13:15**

**Doorstep press/media event**

**13:15 – 14:45**

**Lunch, with partners**

Venue: Groeften in Tivoli

**14:45 – 17:00**

**Social event**

*With partners*

(Canal tour. Dress code: casual dress and practical shoes)

# SPEAKERS



**Lars Rohde**  
**Danmarks Nationalbank**

Lars Rohde took office as Governor by Royal Appointment and Chairman of the Board of Governors of Danmarks Nationalbank in 2013. Lars Rohde has an MSc in Economics from Aarhus University. He has served as Chief Executive Officer of The Danish Labour Market Supplementary Pension Scheme, ATP, from 1998 to 2013. ATP is one of Europe's largest pension providers. The ATP Group is responsible for the management of assets of more than kr. 748 billion. Lars Rohde was a member of the Executive Board of the mortgage bank Realkredit Danmark from 1992 to 1997 and Deputy Chief Executive Officer from 1997 to 1998. Among other things Lars Rohde has also been a board member of Copenhagen Stock Exchange and part-time lecturer at Copenhagen Business School.



**Agustín Carstens**  
**Bank for International Settlements**

Agustín Carstens became General Manager of the BIS on 1 December 2017. Mr Carstens was Governor of the Bank of Mexico from 2010 to 2017. A member of the BIS Board from 2011 to 2017, he was chair of the Global Economy Meeting and the Economic Consultative Council from 2013 until 2017. He also chaired the International Monetary and Financial Committee, the IMF's policy advisory committee from 2015 to 2017. Mr Carstens began his career in 1980 at the Bank of Mexico. From 1999 to 2000, he was Executive Director at the IMF. He later served as Mexico's deputy finance minister (2000-03) and as Deputy Managing Director at the IMF (2003-06). He was Mexico's finance minister from 2006 to 2009. Mr Carstens has been a member of the Financial Stability Board since 2010 and is a member of the Group of Thirty. Mr Carstens holds an MA and a PhD in economics from the University of Chicago.



**Claudia M. Buch**  
**Deutsche Bundesbank**

Professor Claudia M Buch is the Vice-President of the Deutsche Bundesbank. She is responsible for Financial Stability, Statistics and Internal Audit. Professor Buch is the accompanying person of the President of the Bundesbank on the ECB Governing Council and a member of the German Financial Stability Committee (FSC). Prior to joining the Bundesbank in May 2014, she was the President of the Institute for Economic Research (IWH) in Halle (2013-2014), Professor of Economics at the Otto von Guericke University Magdeburg (2013-2014), and Professor of Economics for "International Finance and Macroeconomics" at the University of Tübingen (2004-2013). From 2012 to 2014, she was a member of the German Council of Economic Experts. She was Scientific Director at the Institute for Applied Economic Research (IAW) in Tübingen (2005-2013), and worked at the Institute for World Economics in Kiel (IfW) from 1992 until 2013. She habilitated at the University of Kiel (2002) after receiving her doctorate there in 1996. Between 1985 and 1991, she studied Economics at the University of Bonn and she graduated from the University of Wisconsin (Eau Claire) with a Master of Business Administration degree in 1988. Her fields of specialisation are financial stability, international banking, international finance and macroeconomics, and financial integration.



**Kenneth Rogoff**  
**Harvard University**

Kenneth Rogoff is Thomas D. Cabot Professor at Harvard University. From 2001–2003, Rogoff served as Chief Economist at the International Monetary Fund. His widely-cited 2009 book with Carmen Reinhart, *This Time Is Different: Eight Centuries of Financial Folly*, shows the remarkable quantitative similarities across time and countries in the run-up and the aftermath of severe financial crises. Rogoff is also known for his seminal work on exchange rates and on central bank independence. Together with Maurice Obstfeld, he is co-author of *Foundations of International Macroeconomics*, a treatise that has also become a widely-used graduate text in the field worldwide. Rogoff's 2016 book *The Curse of Cash* looks at the past, present and future of currency from standardized coinage to crypto-currencies. The book argues that although much of modern macroeconomics abstracts from the nature of currency, it is in fact at the heart of some of the most fundamental problems in monetary policy and public finance. His monthly syndicated column on global economic issues is published in over 50 countries. Rogoff is an elected member of the National Academy of Sciences, the American Academy of Arts and Sciences, and the Group of Thirty, and he is a senior fellow at the Council on Foreign Relations. Rogoff is among the top ten on RePEc's ranking of economists by scholarly citations. He is also an international grandmaster of chess.



**Frank Smets**  
**European Central Bank**

Frank Smets is Director General Economics at the European Central Bank since February 2017. Previously he was Adviser to the President of the European Central Bank since December 2013 and Director General of the Directorate General Research from September 2008. He is professor of economics at UGent and an honorary professor in the Duisenberg chair at the Faculty of Economics and Business of the University of Groningen. He is a Research Fellow of the Centre for Economic Policy Research in London and CESifo in Munich. He has written and published extensively on monetary, macroeconomic, financial and international issues mostly related to central banking in top academic journals such as the *Journal of the European Economic Association*, the *American Economic Review*, the *Journal of Political Economy* and the *Journal of Monetary Economics*. He has been managing editor of the *International Journal of Central Banking* from 2008 till 2010. Before joining the European Central Bank in 1998, he was a research economist at the Bank for International Settlements in Basel, Switzerland. He holds a PhD in Economics from Yale University.



**Donald Kohn**  
**Brookings Institution**

Donald Kohn holds the Robert V. Roosa Chair in International Economics and is a senior fellow in the Economic Studies program at the Brookings Institution. He also currently serves as an external member of the Financial Policy Committee at the Bank of England. Kohn is a 40-year veteran of the Federal Reserve system, serving as member and then vice chair of the Board of Governors from 2002-2010. Kohn is an expert on monetary policy, financial regulation, and macroeconomics and has written extensively on these issues. Prior to taking office as a member of the Board of Governors he served in a number of staff roles at the Board, including secretary of the Federal Open Market Committee (1987-2002) and director of the Division of Monetary Affairs (1987-2001). He has also served as chairman of the Committee on the Global Financial System (CGFS), a central bank panel that monitors and examines broad issues related to financial markets and systems. He advised Federal Reserve Chairman Ben Bernanke throughout the 2008-2009 financial crisis and served as a key adviser to former Fed Chairman Alan Greenspan. He was awarded the Distinguished Achievement Award from The Money Marketeers of New York University (2002), lifetime achievement awards from The Clearing House (2012) and Central Banking magazine (2017), the Distinguished Alumni Award from the College of Wooster (1998), and the Honorary Degree, Doctor of Laws, from the College of Wooster (2006). In 2016, he was made honorary Commander of the British Empire. Kohn was born in November 1942 in Philadelphia. He received a B.A. in economics in 1964 from the College of Wooster and a Ph.D. in economics in 1971 from the University of Michigan.



**Peter Praet**  
**European Central Bank**

Peter Praet joined the European Central Bank as Member of the Executive Board in 2011. He is responsible for the Directorate General Economics. Before joining the ECB, Peter Praet was Executive Director of the National Bank of Belgium (2000-2011). Here he was responsible for International Cooperation, Financial Stability and Oversight of Financial Infrastructures and Payments Systems. Between 2002 and 2011, he was also a Member of the Management Committee of the Belgian Banking, Finance and Insurance Commission (CBFA), where he was responsible for Prudential Policy for banking and insurance. Peter Praet served as Chief of Cabinet for the Belgian Minister of Finance from 1999-2000, as Chief Economist of Générale de Banque and Fortis Bank from 1988-1999, as Professor of Economics at the Université Libre de Bruxelles from 1980-1987, and as Economist at the International Monetary Fund from 1978-1980. He earned a Ph.D. in Economics from the Université Libre de Bruxelles in 1980. Peter Praet served on several high-level international committees, including the Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems, the Committee on the Global Financial System, and the European Banking Authority. He was First Alternate of the Board of Directors of the Bank for International Settlements from 2000-2011.



**Axel A. Weber**  
**UBS**

Chairman of the Board of Directors, UBS Group AG. Axel A. Weber was elected to the Board of Directors (BoD) of UBS AG at the 2012 AGM and of UBS Group AG in November 2014. He is Chairman of the BoD of both UBS AG and UBS Group AG. He is chairman of the Institute of International Finance, a board member of the Swiss Bankers Association and the International Monetary Conference, and a member of the Group of Thirty as well as the Trilateral Commission, among others. Mr. Weber was president of the German Bundesbank between 2004 and 2011, during which time he also served as a member of the Governing Council of the European Central Bank, a member of the Board of Directors of the Bank for International Settlements, German governor of the International Monetary Fund and as a member of the G7 and G20 Ministers and Governors. He was a member of the steering committees of the European Systemic Risk Board in 2011 and the Financial Stability Board from 2010 to 2011. Mr. Weber's academic career includes professorships at the Universities of Cologne, Frankfurt / Main, Bonn and Chicago. He holds a PhD in economics from the University of Siegen, where he also received his habilitation. He graduated with a master's degree in economics at the University of Konstanz and holds honorary doctorates from the universities of Duisburg-Essen and Konstanz.



**Mohamed A. El-Erian**  
**Allianz**

Dr. Mohamed A. El-Erian is Chief Economic Advisor at Allianz, the corporate parent of PIMCO where he formerly served as chief executive and co-chief investment officer (2007-14), a columnist for Bloomberg Opinion, a contributing editor at the Financial Times, and a member of several non-profit boards. From December 2012 to January 2017, he chaired President Obama's Global Development Council. He has written two New York Times bestsellers: "When Markets Collide" (2008) and "The Only Game in Town: Central Banks, Instability and Avoiding the Next Collapse" (2016). Named to Foreign Policy's list of "Top 100 Global Thinkers" for four years in a row, he has served on the jury for the annual for the Financial Times/McKenzie Book of the Year award since 2015 and has received numerous awards and recognition for his economics, financial industry and philanthropic activities. He holds a master's degree and doctorate in economics from Oxford University and received his undergraduate degree in Economics from Cambridge University. He is an Honorary Fellow of Queens' College, Cambridge University.



**Charles Bean**  
**London School of Economics**

Charles Bean is a Professor of Economics at the London School of Economics and a member of the Budget Responsibility Committee at the Office for Budget Responsibility. From 2000 to 2014, he served at the Bank of England as, successively, Executive Director and Chief Economist, and then Deputy Governor for Monetary Policy, serving on both the Monetary Policy and Financial Policy Committees. He also represented the Bank in international fora, such as G7 and G20. Before joining the Bank, he was a member of faculty at LSE and has also worked at HM Treasury. He has served as Managing Editor of the Review of Economic Studies, was President of the Royal Economic Society from 2013 to 2015, and is Chairman of the Centre for Economic Policy Research. He was knighted in 2014 for services to monetary policy and central banking and recently undertook a major review of the quality, delivery and governance of UK economic statistics on behalf of the UK government. He holds a PhD from MIT.



**Niels Christoffer Thygesen**  
**University of Copenhagen**

Niels Thygesen is Professor of Economics (emeritus). Trained at the universities of Copenhagen, Paris and Harvard, and having worked for the governments of Denmark and Malaysia, he was at the University of Copenhagen 1971-2005. He has worked primarily on European monetary and financial integration, serving on official and academic expert groups. He is the author of three books, notably of "European Monetary Integration: From the EMS to EMU" (with Daniel Gros), London 1992 and 1998, and of app. 100 articles. He has been a Visiting Professor at Institut d'Etudes Politiques, Paris, at the European University Institute, Firenze, and a Visiting Senior Fellow at the Brookings Institution. He was an independent member of the group, mostly of central bank governors, which prepared Economic and Monetary Union in Europe ("Delors Committee") 1988-89. He was Adviser to the Governor of Danmarks Nationalbank, to the Danish and Swedish governments, to the European Commission, and to the IMF (on the effectiveness of surveillance). He was Chairman of the OECD's Economic and Development Review Committee 2000-8. In October 2016 he became the first Chair of the European Fiscal Board advising the European Commission on implementing the rules for national fiscal policy and on reforming fiscal governance. Niels Thygesen was President of the Danish Economic Association 1974-9; Member of the Executive Committee of the Trilateral Commission (Paris) 1981-2005; of the Steering Committee for the Euro50 Group (Paris) since 1999; and Adviser of the Institute for New Economic Thinking (INET), New York 2012-16.



**Stanley Fischer**  
**Massachusetts Institute of Technology**

Professor Emeritus, Massachusetts Institute of Technology. Former Vice Chairman and member of the Board of Governors of the Federal Reserve System. Previous positions also include governor of the Bank of Israel, vice chairman of Citigroup, World Bank Chief Economist and first deputy managing director of the International Monetary Fund. Dr. Fischer has published extensively in top-ranking economic journals and is the author several scholarly books.



**Øystein Olsen**  
**Norges Bank**

Mr. Øystein Olsen was re-appointed Governor of Norges Bank and Chair of the Executive Board on 1 January 2017 for a second six-year term. Mr Olsen has held this post since 1 January 2011. Mr Olsen's previous work experience includes posts as Director General of Statistics Norway and Director General at the Ministry of Finance. He has also chaired or been a member of several government-appointed commissions. Mr Olsen holds a postgraduate degree in economics (Cand. oecon.) from the University of Oslo.



**Stephen S. Poloz**  
**Bank of Canada**

Mr. Poloz has been Governor of the Bank of Canada since 3 June 2013. Born in Oshawa, Ontario, Mr. Poloz has over 30 years of public and private sector experience. An economist by training, he first joined the Bank of Canada in 1981 and occupied a range of increasingly senior positions over a 14-year span. Mr. Poloz then spent four years at BCA Research as managing editor of its flagship publication, The International Bank Credit Analyst. Mr. Poloz joined Export Development Canada in 1999 as Vice-President and Chief Economist. From 2008 to 2010, he was responsible for all of EDC's lending programs, as well as the Economics and Corporate and International Trade Intelligence groups. He became EDC's President and CEO in January 2011, a position he held until his appointment at the Bank of Canada. Mr. Poloz resides in Ottawa with his wife Valerie. He has two children, Jessica and Nicholas, and he is a grandfather.



**Veerathai Santiprabhob**  
**Bank of Thailand**

Veerathai Santiprabhob has been the Governor of the Bank of Thailand since October 2015. He also currently serves as a member of the Securities and Exchange Commission Committee, the National Economic and Social Development Board and the State-Owned Enterprise Policy and Supervisory Committee. Veerathai is a macroeconomist, strategist, and financial professional with more than 20 years of experiences in economic policy design, commercial banking, and capital market. He began his career as an economist at the IMF before serving as a co-director of Policy Research Institute of Thai Ministry of Finance during the 1997 Asian financial crisis. He had spent most of his career in the private sector serving as a senior executive of Siam Commercial Bank, PCL and The Stock Exchange of Thailand. He had also served as an advisor of Thailand Development Research Institute and a board member of various leading corporations. Veerathai received his B.A. (first class honors) in Economics from Thammasat University in 1988 and A.M. and Ph.D. in Economics from Harvard University in 1994, sponsored by H.M. the King Bhumibol Adulyadej's Anandamahidol Foundation. He was awarded the Eisenhower Fellowship in 2013.



**H el ene Rey**  
**London Business School**

Professor at London Business School. Member of The Haut Conseil de stabilit e financi ere (the French High Council for Financial Stability). Winner of several prestigious awards, including the 2006 Bern acer Prize and the 2012 Birgit Grodal Award of the European Economic Association. Dr. Rey has published widely on international finance and the international monetary system in top-ranking journals.



**Mar Guðmundsson**  
**Central Bank of Iceland**

Már Guðmundsson has been Governor of the Central Bank of Iceland since August 2009. From 2004 until his appointment as Governor, he served as Deputy Head of the Monetary and Economic Department (MED) at the Bank for International Settlements. From 1994 to 2004 he was Chief Economist and Director of the Economics Department at the Central Bank of Iceland. He joined the department as an economist in 1980 and later held the position of Manager and Head of Research. From 1988 to 1991 he served as economic adviser to the Minister of Finance in Iceland. Már Guðmundsson has a BA-honours degree in Economics from the University of Essex and an M Phil degree in Economics from the University of Cambridge. He has published several articles in books and economic journals on macroeconomics, monetary policy, exchange rate regimes, financial stability, and pensions and has served on the editorial boards of economic journals in Iceland, at the BIS, and in the UK.



**Philip Lowe**  
**Reserve Bank of Australia**

Philip Lowe is Governor of the Reserve Bank of Australia. Mr Lowe holds a PhD from the Massachusetts Institute of Technology and a B.Comm (Honours) in Economics/Econometrics from the University of New South Wales. He has authored numerous papers, including on the linkages between monetary policy and financial stability. He commenced as Governor on 18 September 2016. He is Chair of the Reserve Bank Board and Payments System Board, and Chair of the Council of Financial Regulators. He is a member of the Financial Stability Board. Prior to his current role, he held the positions of Deputy Governor, Assistant Governor (Economic) and Assistant Governor (Financial System). He also spent two years at the Bank for International Settlements working on financial stability issues. Mr Lowe is Chair of the Financial Markets Foundation for Children and a director of The Anika Foundation. He is also Chair of the Committee on the Global Financial System of the Bank for International Settlements. Mr Lowe is a signatory to The Banking and Finance Oath.



**Stefan Ingves**  
**Sveriges Riksbank**

Stefan Ingves is Governor of Sveriges Riksbank and Chairman of the Executive Board. He was appointed Chairman of the Basel Committee on Banking Supervision in June 2011. Mr Ingves is also chairman of the BIS Banking and Risk Management Committee (BRC) and a member of the Board of Directors of the BIS, Chairman of the Toronto Centre for Global Leadership in Financial Supervision, Member of the General Board of the European Systemic Risk Board (ESRB), Member of the General Council of the ECB, Governor for Sweden in the IMF and Board Member of the Nordic-Baltic Macroeprudential Forum (NBMF). Mr Ingves has previously been Director of the Monetary and Financial Systems Department at the International Monetary Fund, Deputy Governor of the Riksbank and General Director of the Swedish Bank Support Authority. Prior to that he was Under-Secretary and Head of the Financial Markets Department at the Ministry of Finance. Stefan Ingves holds a PhD in economics.



**Thomas Jordan**  
**Swiss National Bank**

Thomas J. Jordan was appointed Chairman of the Governing Board of the Swiss National Bank (SNB) in 2012. From 2010 to 2012, Thomas J. Jordan was Vice-Chairman of the Governing Board of the SNB. From 2007 to 2010, he was Member of the Governing Board of the SNB. He was Chairman of the Board of Directors of the SNB's 'StabFund', the stabilisation fund, from its foundation in 2008 until it was wound up in 2013. Thomas J. Jordan is a member of the Board of Directors of the Bank for International Settlements (BIS) in Basle and the Steering Committee of the Financial Stability Board (FSB). He is the Governor of the International Monetary Fund (IMF) for Switzerland, and Chairman of the G10 Central Bank Counterfeit Deterrence Group (CBCDG). Thomas J. Jordan has published numerous articles on monetary theory and policy in leading international journals. In 1998, the University of Berne appointed him lecturer (Privatdozent) and in 2003 honorary professor. Thomas J. Jordan was born in Bienne, Switzerland. He received his Ph.D. in economics from the University of Berne in 1993. He wrote his post-doctoral thesis (Habilitation) during a post-doctoral research visit at the Department of Economics at Harvard University.



**Karnit Flug**  
**Bank of Israel**

Dr. Karnit Flug was appointed Governor of the Bank of Israel by the President of Israel on November 13, 2013. Dr. Flug previously served as Deputy Governor of the Bank of Israel from July 2011, when she was appointed to the post by the Israeli Government. From July 2013 until November 2013, Dr. Flug served as Acting Governor of the Bank of Israel. Dr. Flug received her M.A. (cum laude) in Economics from the Hebrew University in 1980, and her Ph.D. in Economics from Columbia University in 1985. In 1984, Dr. Flug joined the IMF as an economist. In 1988, she returned to Israel and joined the Research Department of the Bank of Israel, where she worked and published papers on topics including macroeconomics, the labor market and social policies. In 1994-96, while on leave from the Bank of Israel, Dr. Flug worked at the Inter-American Development Bank as a senior research economist. In 1997, upon return to the Bank of Israel, she was appointed Deputy Director of the Research Department, and in June 2001 she was appointed Director of the Research Department and a member of the Bank's senior management — a position she held for 10 years. Dr. Flug has served on a number of public and government committees, including the Committee on Increasing Competitiveness in the Economy, the Committee for Social and Economic Change ("the Trajtenberg Committee"), the Committee for the Defense Budget ("the Brodet Committee"), and the Committee to Study Raising the Retirement Age for Women.

# CONFERENCE TOPICS

## Session 1

From the Great Moderation to the Great Recession and beyond – how did we get here and what lessons have we learned?

The business cycle became substantially less volatile during the "Great Moderation" from the mid-1970s to the mid-2000s. Explanations span from good practices (better inventory management, improved possibilities for consumption and investment smoothing due to new information technology combined with broader and deeper financial markets and more flexible labour markets) over good policy (more skilful monetary policy and macroeconomic stabilisation policy in general) to good luck (a reduction in the frequency and severity of exogenous economic shocks). Then came the financial crisis followed by the Great Recession, and the view on the Great Moderation became subject to revision. Focus turned to discussions on "secular stagnation" and whether the Great Moderation contained some of those seeds that fueled the outbreak of the recent financial crisis, including the too loose monetary policy in the early 2000s ("The Greenspan put"). This session will focus on ***the broad macroeconomic developments during the recent decades and a deeper understanding of the main forces that drove the economy into the era of unconventional monetary policy.***

## Session 2

Coping with the current challenges for central banks

During the "Great Moderation" there was a significant global transformation towards both de jure and de facto central-bank independence. Furthermore, the liberalisation of the financial sector and the switch to market-oriented monetary-policy implementation led to de-politisation of monetary policy. Central banks focused on controlling inflation by managing the short-term interest rates within conventional frameworks, and decisions regarding

interest-rate adjustments as well as the choices of monetary-policy instruments became of a more technical and less political nature than previously, when exchange controls and lending restrictions, etc., had been part of the central-bank toolbox. After the recent financial crisis, the central banks have gained a stronger role – implicitly or explicitly – within the macro and micro-prudential areas with high political attention. It has been debated whether (and if so, how?) financial-stability objectives should take on a more prominent role in the conduct of monetary policy. Questions have also been raised about the adequacy of untested macro-prudential instruments. The post-crisis environment has also been the era of unconventional monetary policy with negative interest rates and "quantitative easing", etc. The latter has raised the issue of whether large-scale central-bank purchase of government bonds will affect the independence and credibility of central banks. This session will focus on ***the monetary-policy and macro-prudential challenges facing central banks within the current economic and political environment.***

## Dinner speech

Exchange-rate regimes in a globalised economy: challenges and prospects

In the 1800s and early 1900s, a large number of countries in the world followed the Gold Standard and thereby a fixed-exchange-rate strategy. World War I ended this system, and it was only reestablished briefly in the interwar period when exchange controls and bilateral trade agreements were on the agenda. After World War II, a large part of the world participated in the dollar-based Bretton Woods fixed-exchange-rate system established under the auspices of the International Monetary Fund. That system ended in the early 1970s. Since then the main currencies have been floating and exchange controls have been removed. For other countries, we have seen a variety of exchange-rate regimes spanning from fixed

arrangements (currency unions, currency boards, hard pegs) to managed and free floats or something in between. ***What can we learn from the history of exchange-rate regimes and what do we know about the performance of alternative exchange-rate regimes in the 21st century?***

### Session 3

#### Life in the periphery

According to the classical "open-economy trilemma" it is impossible for a country to have both a fixed exchange rate, free cross-border capital movements and an independent monetary policy at the same time. If a country chooses to fix its exchange rate and have free capital movements, it will have no scope for using monetary policy as a tool to stabilise the domestic economy. If a country chooses an independent monetary policy as well as free capital movements, the exchange rate will have to float. However, in recent years it has been subject to debate whether these policy options really are available or whether countries in a globalised world are actually facing a dilemma: If one wants to have free capital movements, there is no scope for an independent monetary policy – with free cross-border financial flows, domestic interest-rate and credit conditions will mirror the global financial conditions (the "global financial cycle"). A corollary of this is that unconventional monetary policy measures in the large economies may have strong spillover effects on the central banks in the periphery. In addition, exchange rate developments appear to deviate significantly from textbook models that justify the conclusion that exchange rates act as stabilisers rather than amplifiers. This session will focus on ***the role of exchange rates and the implications of globalisation for monetary-policy frameworks, including consideration of international policy coordination in times of unconventional monetary policy to address the shortcomings of the international monetary system.***

### Panel discussion

#### The future of central banking from a small open-economy perspective

The subject for the panel discussion will be ***challenges for central banks in small, open economies***. Some of the questions that might be addressed are the following: How many targets should (can) the central bank in a small open economy have and what are the instruments? Has the recent financial crisis and the Great Recession altered the policy options for small open economies? What are the main issues for small open economies related to exchange rates and financial conditions in a globalised world economy? Are there any particular challenges for the central bank's role as a lender of last resort in a small open economy with cross-border banking groups?