



IMF 2014 Spillovers Report Discussion

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Overview

- World economy showing lower spillover risks from earlier reports
 - Good news if it's true, better if they are shifting to normal adjustments to real economies around the world
- “Normalization” of monetary policies still a key risk for major spillovers
- Emerging market growth slowdowns can impact advanced economies via trade or financial channels
- “Key spillover risks can intersect and interact with each other”



Why this Analysis is Beneficial

- Good to see IMF addressing spillovers, a key issue in a globalized economy
 - Even if the Fed and ECB don't
- “Renewed attention on structural reform priorities for medium-term growth.”
 - Agree entirely – in fact, avoidance of structural reforms is what has led to where we are now
- Good use of VAR/econometrics to decompose shocks globally
- Possibly some mild use as a predictive tool



Comments (I)

- Spillovers are not an exogenous phenomenon but the result of human action
 - Policies have consequences and everything is endogenous, not exogenous
 - “Key spillover risks can intersect and interact with each other” acknowledges the difficulty in modeling complex economies, much less attempting to fine-tune them
 - The IMF, as a policy institution, should consider how to avoid unnecessary spillover risks
- Analytical framework late to the game – 2011- onward?
 - Monetary policy spillovers now are a result of “extraordinary” and, in my opinion, incredibly misguided policies in AEs
 - What good is central bank coordination if bad policies are coordinated? (see: Eurozone)
- Tough to trace causality – what spills over depends on where you start
 - QE-> capital flows -> EM growth -> tightening in AEs->growth slowdown in EMs -> spillovers to AEs



Comments (II)

- Monetary spillovers highlighted, but what about fiscal spillovers?
 - IMF very concerned about budgetary matters, how does profligacy or austerity matter?
- Some major spillovers cannot be modeled or predicted (e.g. Russian invasion of Ukraine)
- Would be good to see this not as a stand-alone product
 - Should be incorporated into country programs



Conclusions

- Excellent to see the IMF addressing the idea of spillovers
- Would be better to see an shift in emphasis from spillovers from outcomes to spillovers from policies
 - This would help improve policymaking
- Integrate this analysis at the country-program level rather than being a stand-alone product
 - Could also break down the analysis into “bite-size” pieces



Thank you for your attention!

Dziękuję!

благодаря ви!