The Economic Club of NY Hosts Luncheon with Bank of Japan Governor

On Thursday, April 22, 2010, The Economic Club of NY hosted a luncheon at the Marriott Marquis, featuring a talk by the Honorable Masaaki Shirakawa, the governor of the Bank of Japan. Ten IFEP students were selected to attend the luncheon with Professor Merit E. Janow.

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IFEP and APEC Study Center Present the IFEP DISTINGUISHED SPEAKER SERIES

China's Currency and US-China Relations

By Ayelet Haran and Mark Richardson

The question of the Chinese peg came to a new climax on April 5th, as three Chinese economy experts discussed the issues surrounding the US potentially declaring China as a currency manipulator. While Robert Aliber from the University of Chicago, Dan Rosen from SIPA, and Shang-Jin Wei from Columbia Business School all agreed that some revaluation is necessary, they disagreed on the timing and its effects. Overall, the lively debate, moderated by Professor Merit E. Janow, made for a fascinating and educational experience for the SIPA community.

The two sides of the debate centered on how changing the peg would affect the trade imbalance. Dr. Aliber argued that the undervalued RMB was only exacerbating the already-strained large US current account balance. Aliber sees the large US trade deficit a result of a high volume of imported Chinese goods. The US should focus on shrinking the trade imbalance, and the instrument used to achieve this goal will be the removal of protectionist measures in China. Lastly, Aliber warned that China’s current financial state is very similar to that of Japan in the 1980s. China is becoming vulnerable to speculative attacks, and according to Aliber, it is likely to see its asset and real estate bubbles burst. If China does not get its domestic affairs in order and find mechanisms to absorb excess savings, it will ultimately suffer a decline in growth, much like Japan did in the late 20th century. “A change in currency cannot occur by itself.”

(continued page 2)
Conversely, Dan Rosen viewed the Chinese currency debate in a different light. Rosen views the Chinese economy as preparing to manage a “super [business] cycle;” hundreds of millions of Chinese citizens are moving to urban centers, and the economy is expanding at a rapid rate. Moreover, Rosen emphasized that the currency issue is not the heart of the problem. Overall, comparative advantage for production is rising in China while it is declining in the US. China is constantly updating its capital stock, including human capital, while the US is falling behind. The only solution for the US is decreased consumption and increased exports and GDP. The US could counter China’s comparative advantage in manufactured goods by protecting its comparative advantage in intellectual property, which can be achieved through trade negotiations.

Shang-Jin Wei argued that the structural causes of the trade imbalance between the US and China could not be remedied through revaluation. For example, Wei talked about the decades-long trade imbalance between the US and Germany, questioning whether the US should define Germany as a currency manipulator. Wei also mentioned that it is important to remember that appreciation of the RMB will create winners and losers in both countries, noting the cheap RMB has functioned as a subsidy to the US consumer.

While the currency peg was central to Aliber’s argument, Rosen and Wei view the currency imbalance as an artifact of domestic Chinese policy. Overall, the speakers did not agree on prescriptions for remedying the trade imbalance, the key issue for the panelists. Although as of April 2010, the Obama administration did not publicly declare China as a currency manipulator, this issue will continue to be debated among experts. The last question of the night couched the debate in a wholly different light, asking if the currency issue is actually a proxy for American fears of a rising China, threatening the US as the sole global superpower. Answering that question will require another panel.
Banking and Financial Regulation: The Past, Present and Future

By Mark Richardson

The IFEP concentration was proud to present a distinguished panel to discuss the past, present, and future of financial regulation. This topic remains timely as financial reform legislation is at the top of Washington's agenda. It is of course immensely important as government leaders around the world try to prevent a repeat of the recent global financial crisis.

Richard Clarida, C. Lowell Harriss Professor of Economics and International Affairs at Columbia, began the panel discussion by speaking on the future of financial regulation. He remarked that the recent crisis was like the sinking of the Titanic, in that numerous adverse events had to occur to cause the crisis and had one of them not happened, perhaps the crisis would have never been. He continued that we are always adept at correcting the problems of the previous crisis, but the challenge is in creating a regulatory regime that can prevent the next crisis, which is quite difficult.

Next Professor Sharyn O'Halloran, the George Blumenthal Professor of Politics also at Columbia, discussed lessons from the previous 50 years of regulation, her current topic of research. She asked two questions. Did regulators not have sufficient power to prevent the crisis or did they not effectively use the power they had? Her research shows the answer to both questions is yes. She said the key is smart regulation, which gives agencies sufficient discretion to effectively respond to a dynamic financial industry, and provides agencies incentives to effectively use their authority.

Dr. Robert Kopech of Mercer Oliver Wyman's Emerging Markets Practice, who also teaches at Columbia, gave his views on the need for and prospects of international cooperation regarding financial regulation. He said the simple answer is significant cooperation is needed, but will be difficult. He cited the unprecedented cooperation among central banks during the crisis to maintain stability as a positive occurrence, but noted international cooperation is never easy.

The last speaker was Dr. Dan McGovern, Director of the Economic Research Center on Financial Stability. He discussed the effectiveness of Senate legislation proposed by Senate Banking Committee Chairman Christopher Dodd. He believes the Dodd bill is an improvement over the current regulatory regime and discussed the role of public anger in driving regulatory reform.

The IFEP concentration is very appreciative to the panelists for their participation and the furthering of our understanding of the past, present, and future of financial regulation.
A Special Fed Alumni Event @ The NASDAQ MarketSite

By Ayelet Haran
Photography by Francis Eliot

IFEP Students Meet Alumni at the NY FED

By Ayelet Haran

On April 8th IFEP students attended a special Fed Alumni Event, hosted by John H. Coatsworth, Dean, SIPA and Merit E. Janow, Director, Program in International Finance and Economic Policy, SIPA.

The evening commenced with a welcome address by Dean Coatsworth and an introduction by Christine Cumming, First Vice President at the Federal Reserve Bank of New York. Cumming has worked at the Federal Reserve Bank of New York for over twenty years, stating that intellectual stimulation and the collegial environment prompted her to stay.

Merit E. Janow, director of the program in International Finance and Economic Policy, moderated the subsequent panel, which was an informal discussion on the operation of the Federal Reserve Bank of New York and the skills needed to work effectively in a central bank. While looking over Times Square from the second floor of the Nasdaq MarketSite, participants listened to a panel discussion about career opportunities and challenges. The panelists, all working in different departments at the Federal Reserve Bank of New York such as country risk, foreign exchange and emerging markets, provided advice and insight on how to pursue employment at the organization.

(Continued, page 5)
Most have worked at the Federal Reserve Bank since they graduated SIPA and have found many opportunities to move within the organization. The alumni recommended brushing up on quantitative and statistical skills prior to working at the Federal Reserve Bank, and becoming comfortable with the terminology of the sector. Additionally, the panelists advised that private sector experience, particularly in finance, or working towards professional certifications such as a CFA, are pluses when it comes to getting hired.

Following the panel, discussions continued in smaller forums during the reception. The night concluded with optimism, as the IFEP concentration concluded another successful professional event.

**The Federal Reserve Bank of New York Panelists**

Patrick Dwyer  
Brandon J. Hall  
Cindy Hull  
Alexandra Merle-Huet  
Adam Minson
Alumni Wine and Cheese Reception at Christofferson Robb & Co.

On Wednesday, April 28th, over 25 alumni and 50 IFEP students gathered for a wine and cheese reception on the Christofferson Robb & Co terrace, overlooking 5th Avenue.
IFEP and the International Labour Organization Sponsor - The Global Jobs Crisis: Assessing the pace and quality of growth

On Friday, February 19th, IFEP and the ILO sponsored a panel including Raymond Torres, director of ILO International Institute for Labour Studies and Devin Stewart, director of Global Innovations, Carnegie Council.

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Opportunities and Risks in Emerging Markets in the Wake of the Global Financial Crisis

On Monday, April 26th, the SIPA Finance Club organized a panel discussion, moderated by Professor Peter Marber, HSBC Halbis.

Panelists:
* Arif Joshi, HSBC Halbis
* Ricardo Mora, Goldman Sachs
* Willis Sparks, Eurasia Group
* Peter Suozzo, SAC Capital
* Gabriel Torres, Moody's

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Congratulations Class of 2010!

The IFEP Team
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Dana Pasternak
Derek O’Halloran
Maria Paula Carvajal
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Alumni Committee
Aisha Martini
Dana Pasternak
Dario Vilchez
Jennifer Livingstone

Newsletter Committee
Ayelet Haran
Daisuke Funai
Francis Eliot
Mark Richardson

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SIPA
International Finance and Economic Policy
Graduation Party
Save the date
Friday, May 14
4-6pm
6th floor café and terrace
IAB
IFEP friends and family welcome.