

High-Level Seminar: The Political Economy of Reforms



IMF Offices in Europe

December 3, 2010
66 avenue d'Iena, 75116 Paris, France
Ground Floor Conference Room A

Together with the Paris School of Economics (PSE), the European, Fiscal Affairs, and Research Departments, the IMF Offices in Europe are organizing a high-level seminar on “The Political Economy of Crisis-Induced Reforms” on December 3, 2010.

Conventional wisdom states that high growth makes structural reform less costly, but also less urgent, while negative growth or outright crisis makes reform more urgent, but also more costly. A protracted period of weak economic activity may constitute the worst of both worlds, with growth still too fast to make reforms urgent and yet too slow to cushion their costs. If the conventional wisdom is correct, does the prospect of a very slow post-crisis recovery mean that Europe is condemned to reform-inertia? Or, does the experience inside or outside of Europe provide reason to hope that policy-makers in Europe can, with patience and appropriate sequencing of measures, make much-needed progress on an agenda of reforms to strengthen fiscal policy-making and boost potential output growth?

To address these questions, the Paris School of Economics (PSE) and the International Monetary Fund are jointly hosting a one-day high-level seminar on “The Political Economy of Crisis-Induced Reforms.” The seminar will take place on December 3, 2010, at the IMF’s Paris Office. The seminar aims at promoting a sharing of experience among participants (policy-makers, academics, and staff from international organizations), with the PSE and IMF serving as facilitators, to learn from practical experience and research about how to accelerate the reform process in Europe at this critical moment.

Separately, a working session with a more strictly academic focus will take place on December 2, jointly organized by the *Chaire Banque de France* at PSE and the IMF Research Department. The conclusions of this session will feed into the December 3 high-level seminar.

The event is by invitation only.



SEMINAR ON THE POLITICAL ECONOMY OF CRISIS-INDUCED REFORMS
December 3, 2010

IMF Offices in Europe, 66 avenue d'Iéna, 75116 Paris

9:15 – 9:30 Welcome

- Emmanuel VAN DER MENSBRUGGHE, *Director, Offices in Europe, IMF*

Opening Remarks

- Murilo PORTUGAL, *Deputy Managing Director, International Monetary Fund (IMF)*
- François BOURGUIGNON, *Director, Paris School of Economics*

9:30 – 11:00 Session 1: Restoring Sustainability: Structural Reform for Fiscal Consolidation

Chair: Carlo COTTARELLI, *Director, Fiscal Affairs Department, IMF*

Lead Speakers:

- Allan DRAZEN, *University of Maryland*
- George KOPITS, *Fiscal Council, Republic of Hungary*
- Pier Carlo PADOAN, *OECD*
- José TAVARES, *Universidad La Nova, Lisbon*
- Fritz ZURBRUEGG, *Federal Finance Administration, Switzerland*

11:30 – 13.00 Session 2 - Boosting Potential Growth: Structural and Labor Market Reforms

Chair: François BOURGUIGNON, *PSE*

Lead Speakers:

- Samuel BENTOLILA, *Centro de Estudios Monetarios y Financieros (CEMFI)*
- Declan COSTELLO, *European Commission*
- Stephen PURSEY, *International Labour Organization*
- Gilles SAINT-PAUL, *Toulouse School of Economics*

13:00 – 14:15 LUNCH – KEYNOTE SPEAKER: MARCO BUTI, EUROPEAN COMMISSION

14:30 – 16:00 **Closing Panel - Doing it: the Governance of the Reform Process**

Chair: Mario MONTI, *Bocconi University*

Panelists:

- Erik BERGLOF, *European Bank for Reconstruction and Development (EBRD)*
- Marco BUTI, *European Commission*
- Benoît COEURÉ, *French Treasury*
- Carlo COTTARELLI, *Director, Fiscal Affairs Department, IMF*
- Jean-Pierre LANDAU, *Banque de France*
- Aaron TORNELL, *University of California, Los Angeles (UCLA)*

16:00 – Closing **PSE-IMF**



Academic Seminar on the Political Economy of Crisis-Induced Reforms

IMF Offices in Europe

December 2, 2010

- **14.00 - 16.30** Session 1 Financial Reforms and Bank Risk Taking
 - > Xavier Freixas and **Jean-Charles Rochet**, “**Taming SIFIS**”
 - > Alan D. Morrison and **Lucy White**, 2010, “**Reputational Contagion and Optimal Regulatory Forbearance**”
 - > **Giovanni Dell’Ariccia**, Laeven Luc, and Robert Marquez, 2010, “**Monetary Policy, Leverage, and Bank Risk-Taking**”
 - > Thierry Tressel and **Thierry Verdier**, 2010, “**Macro-prudential Financial Regulation in presence of Regulatory Forbearance and Bailouts**”

Discussant : **Romain Ranciere**

- **17.00 - 19.30** Session 2. Political Economy of Reforms
 - > **Antonio Spilimbergo**, Paola Giuliano and Prachi Mishra, 2010, “**Democracy and Reforms : Evidence from a New Dataset**”
 - > **Allan Drazen** and Ethan Ilzetzki, 2010, “**Kosher Pork**”
 - > **Fabrizio Coricelli** and Nauro Campos “**Dynamics of financial liberalizations and reversals : Economic and political factors**”
 - > Raghuram Rajan and **Rodney Ramcharam**, 2010, “**Constituencies and Legislation : The Fight over the McFadden Act of 1927**”

Discussant : **Aaron Tornell**