

ECONOMIC ADVISORY PANEL MEETING

**Federal Reserve Bank of New York
33 Liberty Street, New York, New York**

Friday, November 21st, 2014

AGENDA

- 10:00 a.m. Coffee, Benjamin Strong Room, 10th floor
- 10:30 a.m. Discussion of the lingering effects of the financial crisis on the global outlook
- Presentations by Kenneth Rogoff and Jeffrey Frankel
 - Discussion led by Jan Hatzius and Peter Hooper.
 - General discussion based on attached "Discussion Topics".
- 12:30 p.m. Luncheon, Northwest Conference Room, 10th floor

DISCUSSION TOPICS

- ***Assessment of the advanced economies' recovery from the financial crisis***

The global economic outlook still seems affected by the headwinds of the global financial crisis of 2007-2008. This is particularly the case in Europe, where the original financial disruptions were among the factors behind the subsequent sovereign debt crisis, which in turn prompted extensive fiscal consolidation efforts. In the euro area, deleveraging efforts by both private and public sectors interacted with the fragility of the banking sector, helping to lead to another recession and to ongoing stagnant growth. The collapse of euro area investment spending has been a major drag on global demand with the euro area now running a substantial current account surplus. By comparison, the United States has fared much better, but households' efforts to repair their balance sheets and restrictions on mortgage credit availability are two factors that have held back the recovery.

Some questions for discussion include:

Does the level of bank capitalization help explain the different pace of recovery across regions?

Has fiscal austerity been a major factor in determining the pace of a region's recovery?

Is the slow pace of recovery from financial crises tied to increased risk aversion by firms and households?

- ***Implications of policy divergences across advanced economies***

Monetary policies are diverging in the major advanced economies. The FOMC has ended its asset purchase program and Fed watchers are now focused on the timing of the policy rate lift-off. At the same time, the Bank of Japan has announced an unexpected expansion of its quantitative and qualitative easing program and the ECB has started a new asset purchase program while raising expectations of further actions as the economy faces continued slow growth and the risk of deflation. The divergence in monetary policies has been a factor affecting inflation pressures in each region and altering the competitiveness of U.S. goods and services.

Some questions for discussion include:

Do trends in inflation have a large cross-country component, making monetary policy less effective in steering inflation outcomes?

What would be a desirable monetary-fiscal policy mix in the transatlantic economy?

To what extent is cooperation possible between monetary and fiscal authorities to address a systemic crisis in light of the different political and institutional settings?

- ***Spillovers to emerging markets***

Financial markets has displayed intermittent strains and currencies have depreciated in a number of major emerging market economies, reflecting a gloomier global growth outlook, falling commodity prices, concerns about impact of the aforementioned monetary policy developments on these economies. The spillover from the divergent monetary policy paths in the advanced economies can particularly pressing for countries whose currencies could be subject to appreciation against the euro and the yen and indirectly create pressure to pursue a tighter domestic monetary stance.

Questions for discussion include:

What are the implications of divergent monetary policies in the short term and how can undesired spillovers related to this divergence be avoided?

Can macroprudential frameworks in emerging markets be effective in insuring against destabilizing spillovers from abroad?