July 23, 2020

THE INSTITUTE FOR INTERNATIONAL ECONOMIC POLICY

June was a busy time for IIEP. We hosted two more events in our Facing Inequality virtual series, hosted a discussion of the IMF's Spring 2020 World Economic Outlook, and cosponsored three other webinars. We are incredibly grateful to all those who engaged with us by attending our virtual sessions. We hope that each of you will continue to follow our efforts to foster dialogue on global economic issues throughout the summer in virtual formats. If you were not able to attend our June events, keep reading below to see what we have been up to!

Faculty Response to COVID-19

Our faculty have been working hard to research and break down the economic impacts of COVID-19. Read some of their work from June 2020 below.

- "Reckoning with Systemic Hazards" by Sunil Sharma
- "Examining Options to Boost Essential Worker Wages during the Pandemic" by Jay Shambaugh
- Steven Hamilton, featured in "Six months of JobKeeper was wrong"
- "U.S.-China Tensions and Pandemic Fallout Collide in the Race to Lead the WTO" by Kimberly Ann Elliott
- "View: Dear PM, India needs sahyog more than atmanirbharta" by Ajay Chhibber
- Susan Aaronson, featured in "Coronavirus and International Trade: How Policies Affected Medical Supplies"
- "The slowdown in productivity growth and policies that can restore it" by Jay Shambaugh

To view a comprehensive archive of our faculty response to COVID-19, please visit our website.

Facing Inequality Virtual Event Series

In June, we continued our webinar series, "Facing Inequality". This virtual series focused on current and emerging inequality issues in the U.S. and around the globe - especially those revealed by the current COVID-19 pandemic. It brought together historians, economists, sociologists, political scientists, and epidemiologists, within the academy and without, to present work and discuss ideas that can facilitate new interdisciplinary approaches to the problem of inequality.

The "Facing Inequality" series was organized under the stewardship of IIEP Director James Foster, Oliver T. Carr, Jr. Professor of International Affairs and Professor of Economics, and IIEP Faculty Affiliate Trevor Jackson, Assistant Professor of History. The series was co-sponsored by the GW Interdisciplinary Inequality Series, co-organized by Prof. Jackson from the Department of History and Prof. Bryan Stuart from the Department of Economics.

The third webinar on Tuesday, June 16th, **"Just Governance: Lessons on Climate Change Justice from People in Poverty",** featired Brooke Ackerly, and focused on issues of climate change and inequality. Specifically, the discussion prompted attendees to ask, as our world faces catastrophic climate change and related global injustice and oppression, what can those living in the poorest communities most vulnerable to its effects teach us about its causes? Drawing on interdisciplinary and collaborative research in southwestern Bangladesh, this talk shifted the paradigm of responsibility for climate change from the familiar terrain set out by law, economics, and moral philosophy focused on 'commons' problems and distributive inequalities to one centered on the lived experience of climate change. Those living with environmental degradation that is exacerbating with climate change and that foreshadows the effects of climate change elsewhere offer clarifying insight into the kinds of normative problems that climate change raises for both justice and governance. Relying on community fabric worn thin by the legacies of colonialism, foreign aid experiments, and exploitable social hierarchies, these communities'

governance in their work for climate change mitigation, adaptation, and survival. Professors Stephen C. Smith and Sabrina McCormick were discussants.

View the livestream of the event here.

The fourth event on Tuesday, June 30th, **"Imperfect Competition on the Cathedral Floor: Labourers in London 1672-1748"** featured Judy Stephenson and Patrick Wallis. In their paper, they presented a new data set for the late seventeenth and early eighteenth century to explore the operation of the market for unskilled construction workers, the reference occupation for long run urban wage series, at one major building site in London. They found patterns of work distribution and pay which indicate characteristics of imperfect competition, most notably high worker and job flows alongside remarkable nominal wage rigidity, and evidence of an internal labour market alongside a much shorter and more fragile working year than has been previously found. The results suggest that wages, or labour's share of income, may resist response to changes in productivity and labour supply and demand even in the long run, and highlight that labour markets created inequalities of experience, income and returns to work before modern institutions and firms. Professor Bryan Stuart was a discussant.
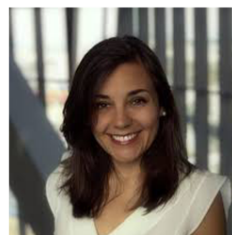
View the livestream of the event here.

IMF April 2020
World Economic Outlook

Gian Maria Milesi-Ferretti
IMF

Wenjie Chen
IMF

Katharina Bergant
IMF

Niels-Jakob Hansen
IMF

James Foster
GWU

Jason Furman
Harvard Kennedy School

Jay Shambaugh
GWU & Hamilton Project

Sunil Sharma
GWU

On June 25th, IIEP hosted a virtual discussion of the IMF's April 2020 World Economic Outlook.

Chapter 1: Global Prospects and Policies was presented by Gian Maria Milesi-Ferretti (International Monetary Fund). Jason Furman (Harvard Kennedy School) was a discussant.

Summary: The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. Because the economic fallout is acute in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses domestically.

Chapter 2: Countering Future Recessions in Advanced Economies was presented by Wenjie Chen (International Monetary Fund). Jay Shambaugh (GWU, Hamilton Project) was a discussant.

Summary: More than a decade after the global financial crisis, the world is struggling with the health and economic effects of a profound new crisis caused by the COVID-19 pandemic. Drawing on analysis completed before the emergence of the pandemic, this chapter examines policymakers' options to respond to adverse shocks and build resilience when rates are low and debts high.

Chapter 3: Dampening Global Financial Shocks in Emerging Markets was presented by Katharina Bergant and Niels-Jakob Hansen (International Monetary Fund). Sunil Sharma (GWU) was a discussant.

Summary: Emerging markets are confronting a sharp tightening in global financial conditions. Against this backdrop, this chapter asks whether, based on historical experience, countries that have adopted a more stringent level of macroprudential regulation—aimed at strengthening financial stability—are better placed to withstand the impact of global financial shocks on domestic macroeconomic conditions.

Read the full *World Economic Outlook* here.

In case you missed it, view the livestream of the event here.

Reckoning with Systemic Hazards ASU - GWU Webinar

On June 25th, IIEP hosted a joint Arizona State University - George Washington University webinar, discussing systemic hazards to economic systems.

From the pandemic to global social protests to economic and financial crises to the ever-more-evident impacts of climate upheaval, we are seeing in real time the consequences of decades of misguided mindsets about how systems operate. Managing systemic hazards will require a new mindset and new principles for policy design and action.

In this webinar, Thunderbird professor Ann Florini and IIEP Distinguished Visiting Scholar Sunil Sharma discussed why and how to develop policy and business solutions to these systemic fragilities, based on principles that foster resilience. Their work on "Reckoning with Systemic Hazards" was recently published in the June 2020 edition of IMF F&D.

This webinar was moderated by Dr. Sanjeev Khagram, Dean of the Thunderbird School. Dean Khagram, alongside IIEP Director James Foster, provided opening remarks. This event WAS co-sponsored by the Thunderbird School of Management at Arizona State University and the Institute for International Economic Policy at GWU.

In case you missed it, view the livestream of the event here.

Other Recent Events

A Discussion with Denmark's Deputy Tech Ambassador

On June 18th, the Digital Trade and Data Governance Hub hosted their ninth webinar, discussing current and emerging data governance issues. This webinar featured **Mikael**

Denmark is determined to ensure that its values influence the new global digital economy. In 2017, it created a new form of foreign policy, techplomacy, to respond to technological disruption and the growing international influence of the internet behemoths. Denmark is also the first country to put in place a tech ambassador. The Tech Ambassador has offices in Silicon Valley, USA, Beijing, China and Copenhagen, Denmark.

This event was co-sponsored by the Foreign Policy Association, the World Wide Web Foundation, the Internet Society of Washington, DC (ISOC-DC), the Centre for International Governance Innovation, the Institute for International Economic Policy, the GW Center for International Business Education and Research, and the Institute for International Science & Technology Policy.

In case you missed it, view the webinar here.

Can Internationally Accepted Principles Yield Trustworthy AI?

On June 4th, the Digital Trade and Data Governance Hub hosted their eighth webinar, discussing current and emerging data governance issues. This webinar featured **Ryan Budish (Harvard University), Adam Murray (Department of State), and Nicolas Miailhe (The Future Society).**

When you use spell-check, shop on Amazon, or find a movie on Netflix, you are using AI. While AI may improve our quality and standard of living, use of poorly designed AI may undermine human autonomy, reduce employment, and yield discriminatory outcomes, among other negative spillovers. In 2019, the 37 members of the OECD (and 7 non-members) approved Principles on Artificial Intelligence, the first internationally accepted principles for AI.

For this webinar, we explored these principles, focusing in particular on those at the OECD, which our speakers helped design. We discussed whether these principles can help all stakeholders, and examined whether such principles should evolve into an internationally shared rules-based system, given the wide diversity in national capacity to produce and govern AI.

This event was co-sponsored by the World Wide Web Foundation, the Internet Society of Washington, DC (ISOC-DC), the Centre for International Governance Innovation, the Institute for International Economic Policy, the GW Center for International Business Education and Research, and the Institute for International Science & Technology Policy.

In case you missed it, view the webinar here.

We are pleased to invite you to a discussion of the **IMF's Regional Economic Outlook for Sub-Saharan Africa** on Thursday, July 23rd at 11AM EDT. Representatives of the IMF Africa Department will present the report followed by expert discussant remarks and audience Q&A. This event will be co-sponsored by the International Monetary Fund and the Institute for African Studies.
Register here.

Faculty Research

Long-Run Effects of Incentivizing Work After Childbirth
By Elira Kuka and Na'ama Shenhav

In this paper, researchers use a panel of SSA earnings linked to the CPS to estimate the impact of increasing post-childbirth work incentives on mothers' long-run career trajectories. They implement a novel research design that exploits variation in the timing of the 1993 reform of the Earned Income Tax Credit (EITC) around a woman's first birth and in eligibility for the credit. Incorporating long-run effects on EITC benefits and earnings increases the implied marginal value of public funds (MVPF) of the expansion. Their results suggest that there are steep returns to work incentives at childbirth that accumulate over the life-cycle.

Read the full paper here.

A Plurilateral "Single Data Area" Is the Solution to Canada's Data

With its relatively small population, Canada faces a challenge in terms of the amount of high-quality data that it can generate to support a successful data-driven economy. As a result, Canada needs to allow data to flow freely across its borders. However, it also has to provide a high-trust data environment if it wants individuals, firms and government to participate actively in such an economy. As such, Canada (and other countries) faces what can be called the data trilemma, whereby it is not possible to have simultaneously data that flows freely across borders, a high-trust data environment and a national data protection regime; one of these three objectives has to give so that only two are effectively possible at the same time. To resolve the data trilemma, Canada should work with its key economic partners — namely the European Union, Japan and the United States — to develop a single data area that would be managed by an international data standards board.

Read the full paper here.

Nowcasting Unemployment Insurance Claims in the Time of COVID-19
By William D. Larson and Tara M. Sinclair

Near term forecasts, also called nowcasts, are most challenging but also most important when the economy experiences an abrupt change. This paper explores the performance of models with different information sets and data structures in order to best nowcast US initial unemployment claims in spring of 2020 in the midst of the COVID-19 pandemic. The authors show that the best model, particularly near the structural break in claims, is a state-level panel model that includes dummy variables to capture the variation in timing of state-of-emergency declarations. Autoregressive models perform poorly at first but catch up relatively quickly. Models including Google Trends are outperformed by alternative models in nearly all periods. Their results suggest that in times of structural change there may be simple approaches to exploit relevant information in the cross sectional dimension to improve forecasts.

Read the full paper here.

America's uneven approach to AI and its consequences
By Susan A. Aaronson

The U.S. should play a major role in encouraging international development and dissemination of AI because it has so much at stake: it holds the largest share of the global market for AI services. Moreover, if integrated properly, AI would not only benefit the U.S. economy but also government operations and, thereby, citizen/taxpayer welfare. But the U.S. is sending mixed signals about how it views AI

contribute to productivity and economic growth in many other sectors.

Read the full paper here.

In the News

In June, our faculty and visiting scholars were published and quoted in the news regularly.

Some of the highlights include:

- "The slowdown in productivity growth and policies that can restore it" by Jay Shambaugh
- Sunil Sharma, mentioned in "A Turning Point for Political Economy"
- Jay Shambaugh, featured in "Why Do We Pay So Many People So Little Money?"
- Danny Leipziger, mentioned in "World Bank: Recession Is The Deepest In Decades"
- Tara Sinclair, mentioned in "A Good Jobs Report Does Not Mean a Rigged Jobs Report"

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