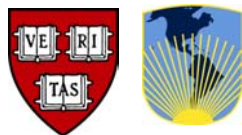


**JOINT CONFERENCE**  
**CURRENCY AND MATURITY MATCHMAKING: REDEEMING DEBT FROM**  
**ORIGINAL SIN**



Sponsored by:

Harvard University's Center for International Development (CID) and  
David Rockefeller Center for Latin American Studies (DRCLAS) &  
The Inter-American Development Bank (IDB)

In collaboration with:

The Institute of European Studies of the University of California, Berkeley



November 21-22, 2002  
Andrés Bello Auditorium  
1300 New York Ave., N.W., Washington, D.C.

**Agenda**

**Thursday, November 21**

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- 8:30- 9:00 a.m. Registration of Participants
- 9:00-9:30 a.m. *Welcoming Remarks:*  
Guillermo Calvo, Inter-American Development Bank
- 9:30-10:30 a.m. *The Pain of Original Sin: Sufferers and Ailments*  
Who borrows internationally in domestic currency and who does not? Who is able to borrow long-term at fixed rates in domestic currency in local markets? Do these different sets of countries behave differently with respect to stability, crises and the conduct of economic policy? Is the situation getting better? If so, what can be learned from recent progress?
- Chair: Guillermo Calvo, Inter-American Development Bank
- Barry Eichengreen, University of California Berkeley  
Ricardo Hausmann, Harvard University  
Ugo Panizza, Inter-American Development Bank
- 10:30-11:00 a.m. *Coffee Break*
- 11:00-12:30 p.m. *The Consequences of Original Sin: Theory*  
What are the consequences of liability dollarization and short-term debt? How do they affect the likelihood of crises? How do they alter the normal operation of monetary and exchange rate policies? How do they contribute to fiscally induced crises?
- "Must Original Sin Bring Macroeconomic Damnation?" by Luis Felipe Céspedes (IMF), Roberto Chang (Rutgers University) and Andrés Velasco (Harvard University)
- "'Original Sin', Balance Sheet Crises and the Roles of International Lending" by Olivier Jeanne (IMF) and Jeromin Zettelmeyer (IMF)
- Chair: Eliana Cardoso, Georgetown University
- Discussants:  
Carmen Reinhart, International Monetary Fund  
Roberto Rigobon, Massachusetts Institute of Technology

- 12:30-2:00 p.m. *Lunch (By Invitation Only)*  
*Keynote Speaker:* Richard Clarida, Department of the Treasury
- 2:45-4:00 p.m. *The History of Original Sin*  
 When did countries develop the capacity to borrow long term? When did they begin to borrow in domestic currency in foreign markets? What can we learn from 19<sup>th</sup>-century experience about the institutional or market factors that were critical?
- "How 'Original Sin' was Overcome: The Evolution of External Debt Denominated in Domestic Currency in the United States and the British Dominions 1880-2000" by Michael Bordo (Rutgers University), Christopher Meissner (Cambridge University) and Angela Redish (University of British Columbia)
- "Old Sins: Exchange Clauses and European Foreign Lending in the 19th Century" by Marc Flandreau (Sciences Po) and Nathan Sussman (The Hebrew University of Jerusalem)
- Chair: Barry Eichengreen, University of California Berkeley
- Discussant:  
 Richard Sylla, New York University
- 4:00-4:40 p.m. *Coffee Break*
- 4:40-6:00 p.m. *Panel 1: Investing in Local Currency Securities*  
 What limits the participation of international institutional investors in local currency markets? How large is the appetite for these instruments and what lies behind country selection? How stable are these investments? Why have local currency emerging debt instruments not been more successful?
- Chair: Arturo C. Porzecanski, ABN AMRO Inc.
- Discussants:  
 Michael Gavin, UBS-Warburg  
 Paul Denoon, Alliance Capital  
 Jonathan Kelly, Fidelity Investment  
 Ben Heller, HBK, United States

## Friday, November 22

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- 9:00-12:30 p.m. *The Causes of Original Sin*  
 What theories can explain why some countries are able to borrow internationally in domestic currency and others cannot? What theories can explain the presence of long-term domestic markets? The theoretical papers in this session explore three different explanations: monetary policy credibility, fiscal debt dynamics and the interaction between private borrowing and monetary policy. The session concludes with an empirical investigation of the capacity of alternative theories to explain the evidence.
- "Why Do Emerging Economies Borrow in Foreign Currency?" by Olivier Jeanne (IMF)
- "A Fiscal Perspective on Currency Crises and the 'Original Sin'" by Giancarlo Corsetti (Yale University) and Bartosz Mackowiak (Humboldt University)

"Why Do Countries Borrow the Way they Borrow?" by Marcos Chamon (Harvard University) and Ricardo Hausmann (Harvard University)

"The Mystery of Original Sin: The Case of the Missing Apple" by Ricardo Hausmann (Harvard University) and Ugo Panizza (IDB)

Chair: Eduardo Fernández-Arias, Inter-American Development Bank

Discussants:

Andrew Berg, International Monetary Fund  
Eduardo Fernández-Arias, Inter-American Development Bank  
Morris Goldstein, Institute for International Economics  
Michael Kumhof, Inter-American Development Bank

12:30-2:00 p.m. Lunch Break

2:00-2:30 p.m. *Policy Discussion:  
Redemption from Original Sin: National vs. International Solutions*

Speakers:

Barry Eichengreen, University of California Berkeley  
Ricardo Hausmann, Harvard University

2:30 – 4:30 p.m. *Panel 2: National and International Policies*  
How should policy address original sin? What does it take to develop the capacity to borrow locally long term and at fixed rates? What concrete benefits does it bring? Is issuing inflation-indexed debt an easier solution? What prevents greater foreign participation in local markets? How difficult is it to issue debt internationally in domestic currency? If original sin cannot be overcome, what should be done in the meantime? What are the policy implications of original sin for the international financial architecture? What could developed countries do to facilitate investment in local currency instruments? Can global initiatives help overcome the problem? What could international financial institutions do in this context?

Chair: Guillermo Calvo, Inter-American Development Bank

Discussants:

Ilan Goldfajn, Banco Central do Brasil  
Michael Mussa, Institute for International Economics  
Gary Perlin, The World Bank  
Nouriel Roubini, New York University  
Rodrigo Valdés, Banco Central de Chile  
Alejandro Werner, Banco de México, Mexico

4:30-4:45 p.m. Closing Remarks  
Ricardo Hausmann, Harvard University