LEADING RESEARCH ON THE GLOBAL ECONOMY

The Peterson Institute for International Economics (PIIE) is a private, nonpartisan nonprofit institution committed to rigorous, intellectually open, and in-depth study and discussion of international economic policy.

Its purpose is to identify and analyze important issues to make globalization beneficial and sustainable for the people of the United States and the world and to develop and communicate practical new approaches for dealing with challenges confronting the global economy.
June 27, 2018

Message from President Adam S. Posen

I am pleased to report to you on the accomplishments of the Peterson Institute for International Economics for the fifteen-month window from January 2017 through March 2018, and our research agenda for the coming year.

As expected, this year has been challenging for globalization and sound economic policies. Not only in the United States but also around the world some governments have emerged that directly attack rules-based economic integration from a nationalist or populist perspective. As part of those attacks, those parties also usually denigrate the influence of experts, free traders, and globalists—which pretty much describes the researchers of the Peterson Institute. We have stood our intellectual ground, and we have done so proudly.

In fact, the challenge that the liberal world economic order is facing has motivated our entire team to take our analyses and explanations directly public in new ways, to new audiences, some highlights of which are recapped in this Annual Review. Our scholars continue to make real and specific the full costs of protectionism, confront economic errors directly, and explain the benefits generated by US engagement with the integrated world economy, particularly from NAFTA and China-US commerce.

In this environment, I am pleased to tell you that there has been global demand for the Institute’s evidence-based, nonpartisan, in-depth research on the reality and benefits of maintaining open markets and international economic cooperation. While the doors of some officials have been closed to the Institute and other mainstream economists, others have been opened wide to hear from what is now the relevant radical center that our views represent.

- In Beijing, the most senior economic officials engaged directly with Institute analyses not just of Chinese trade and China-US relations but also of financial liberalization, currency regimes, and long-term growth in China.
- In Berlin, Brussels, and Paris, Institute fellows have advanced reform agendas and pushed the envelope with their proposals for strengthening Europe.
- In Canberra and Tokyo, the governments that wished to take the Trans-Pacific Partnership (TPP) forward, even without the United States, turned to Institute fellows for advice.
- In Mexico City, Ottawa, and Seoul, Institute research supported US trading partners and allies in their standing up for agreements to which previous American governments had committed.
- In nearly all the G-10 central banks, Institute studies were cited and Institute fellows were invited to inform the major policy decisions unwinding unconventional monetary policies and responding to their effects.
- At home in Washington, the Institute’s meetings, publications, and fellows’ active outreach were a rallying point for businesses, NGOs, scholars, and embassies standing up for sustainable economic policies, including toward foreign direct investment, taxation, and currencies.
- The Institute won the Prospect Award for Best US Economic and Financial Think Tank for the second year in a row.

Please read the first section of this Annual Review in the next few pages for a brief summary of the Institute’s work and impact over the last fifteen months in three key areas: Standing Up for the Global Economy, Rethinking Macroeconomic Policy, and Addressing Challenges to Economic Growth. Highlights of research and influence of our individual fellows are presented next, including those of our newest scholars: Douglas Irwin, America’s leading historian of trade policy; Mary Lovely, an expert at the nexus of industrial policy, China’s development, and global value chains; and Martin Chorzempa, a rising star on the new issues of fintech and regulation, with a focus on China.
All our respected independent fellows are delivering evidence-based, serious, indepth analysis of complex economic policy issues in real time. We have committed additional resources and efforts to making our research timely and accessible. We create audiovisual materials, interactive graphics, and social media content to deepen the public's understanding. The Institute's Communications and Publications team has made similar strides in presenting our research and web content with innovative, clear, visceral, visual touchpoints.

The Peterson Institute for International Economics demonstrates that rigorously argued ideas do still matter in getting good economic outcomes and keeping the world economy open. The system of rules-based economic globalization, which has brought substantial benefits to so many people around the world, remains under threat, but it has proven resilient so far. Our ideas, forcefully and usefully expressed to policymakers and the public, have contributed meaningfully to that resilience. With your sustained support and engagement, we can continue to do so.

For all our achievements, the Peterson Institute for International Economics remains a small, nonprofit organization. We make our contributions to the public debate and to policymaking globally with just our team of around thirty-five senior researchers (about half of whom are in full-time residence), a dozen research analysts, and twenty dedicated colleagues on the operational side who make possible all our meetings, outreach, publications, and research.

Our annual budget of $13 million is funded by a combination of income on our capital fund, annual donations from private corporations and individuals, and grants from a variety of private foundations and public institutions from the United States and all over the world, which we are proud to acknowledge. We depend on this financial basis, along with the contributions of many loyal annual supporters, to give us the independence to focus on research of merit rather than projects contracted for financial marketability.
KEY AREAS OF IMPACT
STANDING UP FOR THE GLOBAL ECONOMY

In an era of discord and confusion over trade, PIIE has elevated public understanding of the benefits and costs of trade agreements and the risks of trade wars to global prosperity and the rules-based economic order.

**Upholding the Rules-Based Trading System**

Adam S. Posen’s featured essay in *Foreign Affairs* highlighted the economic and security dangers of the United States retreating from world economic leadership.

By 2016, the US economy was $2.1 trillion larger as a result of liberalization of trade and investment and related technology developments since 1950, or $18,000 per household. That number was derived by Gary Clyde Hufbauer and Zhiyao Lu in their Policy Brief, *The Payoff to America from Globalization: A Fresh Look with a Focus on Costs to Workers*, which updates a landmark study published in 2005. The jobs lost because of globalization represent less than a percent of the number of people who involuntarily separate from their jobs each year.

Tariffs and the Potential Impact of a US-China Trade War

The 2016 PIIE Briefing, Assessing Trade Agendas in the US Presidential Campaign, continues to be a go-to resource on what would happen if a US-China trade war developed. The piece was widely cited, including on NPR, CNN, Buzzfeed, and several local newspapers in Ohio and Michigan.

The Institute’s voluminous published data showing the effects of escalating tariffs on US exports to China and of Chinese exports to the United States were transformed into data visualizations crediting PIIE by the Wall Street Journal and the Economist.

PIIE launched an interactive timeline guide to the US-China trade confrontation with legal explanations and impacts, updated regularly, an invaluable resource to followers of this critical threat to global economic stability.
Two previously published studies on the economic costs of tariffs rose to the top of the list of most cited pieces of research in the past year. CNN host Erin Burnett cited the 2012 study, *US Tire Tariffs: Saving Few Jobs at High Cost*, while interviewing Wilbur Ross, pointing out that more jobs were lost than were gained. The 2003 Policy Brief, *Steel Policy: The Good, the Bad, and the Ugly*, on protections for US steel has been mentioned dozens of times in the news.

**Benefits of Improving, Not Leaving NAFTA**

President Trump’s criticism of NAFTA and the ensuing renegotiation talks with Canada and Mexico reignited a debate over the merits of the original accord. PIIE has released a stream of research and commentary over the past year, including the PIIE Briefing, *A Path Forward for NAFTA*, featuring a chapter by C. Fred Bergsten on why focusing on bilateral trade deficits in the renegotiations is misguided.

In a new Annotated and Explained blog series, trade experts took a new approach by using handwritten notes to comment in the margins of public documents, such as the US Trade Representative’s NAFTA objectives and Robert Lighthizer’s statement on how he was “surprised and disappointed” after one of the renegotiation rounds. These have become some of the most popular stories on piie.com.
Additional graphics, news stories quoting scholars, and videos explaining NAFTA’s benefits and the effects of pulling out have been disseminated on social media on an almost weekly basis. Caroline Freund narrated a video on NAFTA’s rules of origin that was widely distributed among industry stakeholders. It also received high engagement online. A packet compiling PIIE’s most relevant work to policymakers was distributed to interested parties.

The Canadian Minister of Foreign Affairs, Chrystia Freeland, cited the Institute’s 2014 Policy Brief, *NAFTA at 20: Misleading Charges and Positive Achievements* in a major speech, focusing on its conclusion that NAFTA has added $127 billion annually to US income. Lawrence H. Summers, Robert Zoellick, and others have also cited this research in prominent venues.

**The New Trade Talks Podcast**

Chad P. Bown started a highly rated weekly podcast, *Trade Talks*, with *The Economist* reporter Soumaya Keynes, which provides timely and engaging conversations on anything trade related. Each episode brings in several thousand listeners and is frequently mentioned on Twitter by high-profile journalists and economists.

**Protecting Investment**

Gary Clyde Hufbauer testified to Congress on the problems with expanding the mandate of the Committee on Foreign Investment in the United States (CFIUS) to screen outward, not just inward, investments, for technology transfers that threaten national security. He recommended a more focused, less open-ended approach.
Nearly a decade after the global financial meltdown, economists are still debating lessons learned. The Peterson Institute has led the way in shedding light on the crisis and the policy responses. In October 2017, the Institute convened two days of discussions with the world’s leading policymaking economists, organized by Olivier Blanchard and Lawrence H. Summers. Their exchanges will be published jointly by MIT Press and PIIE in 2018. The next biennial conference is planned for October 2019.

**RETHINKING MACROECONOMIC POLICY**

**Audience**

- 220 total hand-picked attendees
- Highest attended event at PIIE in last 5 years
- 8 Institute board members, including Stanley Fischer, Peter Fisher, Jacob Frenkel, Neeti Bhalla Johnson, Charles Lake, and Min Zhu
- 25 reporters from top media outlets
- 25 senior executives from leading global companies and financial institutions
- 46,000 event page views
In September 2017, the Institute held a joint conference with the International Monetary Fund (IMF) and the Bank of Korea in Seoul on Prospects and Challenges for Sustained Growth in Asia, featuring Managing Director Christine Lagarde, Korean Deputy Prime Minister and Minister of Strategy and Finance, Dong Yeon Kim, and Governor of the Bank of Korea, Ju-yeol Lee. They discussed the region’s demographic changes, technology advances, lagging productivity growth, and other challenges confronting Asian economies. Our convening power is unparalleled in the think tank sphere on international economics, as is our access to key policymakers in China, Japan, and Korea, as well as at the IMF. Plans for other joint projects are under way.

What if the decline in US productivity growth is more than a temporary phenomenon caused by the recent Great Recession? The Peterson Institute convened leading economists for a conference on Policy Implications of Sustained Low Productivity Growth in November 2017 to wrestle with a phenomenon that threatens to impede full recovery of the US economy. The event featured Karen Dynan, Lawrence H. Summers, and Jason Furman as speakers.
SCHOLAR HIGHLIGHTS
1.2 million total views of viral speech on damage of Brexit to UK economy

PIIE awarded 2017 Prospect Award for Best Economic and Financial Think Tank (US), second year in a row

Addressed G20 Eminent Persons Group on Global Financial Safety Net, December 2017

Speaker at Brussels Economic Forum 2017

Keynoted Asian Think Tank Summit in Yokohama, Japan, May 2017

Posen led a PIIE delegation to China in May 2017 for high-level meetings, including a formal discussion with Vice Premier Wang Yang in Beijing on economic reforms in China and US-China relations under the Trump administration.

Regular commentator on top-tier news outlets in the United States, Europe, China, and Japan

PIIE led a PIIE delegation to China in May 2017 for high-level meetings, including a formal discussion with Vice Premier Wang Yang in Beijing on economic reforms in China and US-China relations under the Trump administration.

SELECTED PUBLICATIONS


“An Ill-advised Trade War Could Turn Out to Be Trump’s Afghanistan,” Prospect Magazine (Article)

A Practical Case for Rules-based Macroprudential Policy, Federal Reserve Bank of Chicago, May 2017 volume (Paper)

Lessons for EU Integration from US History, coeditor (Report for the European Commission)

PROJECTS IN PROGRESS

A Structural Approach to Financial Stability
Rethinking the Unconventional in Monetary Policy
Implications of Sustained Low Productivity Growth in Advanced Countries
Sustaining Economic Growth in Asia
CRITICAL ANALYSIS OF NORTH KOREA’S SANCTION IMMUNITY

The widely cited and timely research on North Korea by Noland—in Hard Target: Sanctions, Inducements, and the Case of North Korea, written with Stephan Haggard—explains why North Korea has been impervious to economic penalties. They find that the country’s illicit activities and the economic support it receives from China undermine the effectiveness of sanctions. In addition, North Korea’s authoritarian regime has shown a willingness to let its citizens suffer economic isolation while insisting that it will not abandon its nuclear programs.

Noland wrote the seminal chapter for the 2016 PIIE Briefing, Assessing Trade Agendas in the US Presidential Campaign, which won PIIE the 2017 Prospect Award for Best Economic and Financial Think Tank (US). The Center for Public Integrity used Noland’s work to create a feature length story in May 2017 with an interactive map (above) showing US county-level job losses in a trade war scenario.

“Is Gender Diversity Profitable?” study cited by Canadian Prime Minister Justin Trudeau at the World Economic Forum in Davos, Switzerland.

SELECTED PUBLICATIONS


PROJECTS IN PROGRESS

Gender Diversity in Corporate Leadership
Impact of Potential Trade Wars on the Global Economy
Future of the Two Koreas
CALLS FOR CURRENCY MANIPULATION MEASURES SWAY US ADMINISTRATION

Bergsten’s proposal to include currency provisions in trade agreements has been adopted by trade officials in the Korea-US Free Trade Agreement and presumably in the renegotiated NAFTA. His recommendation for countervailing currency intervention was raised during Congressional hearings in September 2017 and February 2018, with attribution to him and Joseph E. Gagnon. Treasury Secretary Steven Mnuchin said the idea was “very interesting” and is “one of the tools we can use against currency manipulators.”

SELECTED PUBLICATIONS
A Path Forward for NAFTA, coeditor (PIIE Briefing 17-2)
Trade Balances and the NAFTA Renegotiation, (Policy Brief 17-23)

PROJECTS IN PROGRESS
The United States, China, and the Global Economic Transformation

“The Trump administration would be misguided to try to use trade agreements to reduce the overall US external deficit, which is a macroeconomic problem.”

Currency Manipulation and the NAFTA Renegotiation, *The International Economy*, Summer 2017

Bergsten was quoted widely in top-tier media outlets like the *New York Times*, *Washington Post*, and *Wall Street Journal* on NAFTA, trade deficits, and the Trans-Pacific Partnership.
OLIVIER BLANCHARD
C. Fred Bergsten Senior Fellow
Joined in 2015
Expertise: Financial Crises, Labor, Macroeconomics, Transition Economies, Unemployment

Blanchard was elected president of the American Economic Association (AEA) in January 2018. He is one of a handful of presidents ever chosen from outside a university since its founding in 1885.

CONVENCING TOP EXPERTS FOR RETHINKING MACROECONOMIC POLICY

Blanchard organized the seminal Rethinking Macroeconomic Policy Conference in October 2017 with Lawrence H. Summers, in preparation for a book to be copublished in 2018. It was PIIE’s highest attended event in recent years. Guests included prominent central bank officials, economists, senior executives, and journalists. The next conference is planned for October 2019.

322 media citations, top 5 most frequently cited PIIE scholars

SELECTED PUBLICATIONS

Why Has the Stock Market Risen So Much Since the US Presidential Election?, coauthor (Policy Brief 18-4)
Will Rising Interest Rates Lead to Fiscal Crises?, coauthor (Policy Brief 17-27)
Short-Run Effects of Lower Productivity Growth: A Twist on the Secular Stagnation Hypothesis, coauthor (Policy Brief 17-6)
Distortions in Macroeconomics, submission to the NBER Macroeconomics Annual (Speech)

PROJECTS IN PROGRESS


Won the Banque de France and Toulouse School of Economics award in monetary and financial economics.

> Awarded Honorary Doctorate, Ghent University
> Delivered the Haavelmo Lecture 2017 at the University of Oslo and the Stamp Memorial Lecture 2017 at the London School of Economics

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> Delivered the Haavelmo Lecture 2017 at the University of Oslo and the Stamp Memorial Lecture 2017 at the London School of Economics
Bown and cohost Soumaya Keynes (The Economist) have created a successful weekly podcast covering developments in international trade and policy. Each episode attracts around 3,000 listeners, who include journalists, policymakers, and academics. The WTO and several top trade journalists have directly mentioned the series on social media. The podcast has over 30 episodes so far, such as “Did Protectionism Make America Great?” and “The Trump Administration Views Trade as a National Security Threat,” and has featured guests like economist Dani Rodrik, European Commissioner for Trade Cecilia Malmström, and journalist Ana Swanson from the New York Times.


Who Is Affected by Trump’s Steel and Aluminum Tariffs?

Bown’s timely research on which countries and products are covered by Trump’s tariffs was widely cited.

The Washington Post
WSJ


SELECTED PUBLICATIONS

Steel, Aluminum, Lumber, Solar: Trump’s Stealth Trade Protection (Policy Brief 17-21)
Economics and Policy in the Age of Trump, editor, published by VoxEU (eBook)

PROJECTS IN PROGRESS

Globalization and Mobility Adjustment Assistance
Enhanced Trade Enforcement: Updating and Assessing Trends in US Protectionism
Trade Policy Implications of the Global Steel Glut
MAKING SENSE OF BITCOIN AND THE CRYPTOCURRENCY CRAZE

Chorzempa has become a leading expert on cryptocurrencies and the need to regulate the volatile market. He was recently invited to brief staff at the Federal Reserve and US Treasury Department about digital currencies and financial technology developments that will impact their work. He argued in several articles that Venezuela’s new cryptocurrency won’t change the country’s status as a highly speculative investment. Chorzempa also proposed a framework for regulating the international coin offerings (ICOs) market, which is an innovative but risky way of raising money.

Frequent speaker at the Langdi Fintech Conference in Shanghai, China, one of the leading technology events in the country for entrepreneurs, investors, and policymakers

SELECTED PUBLICATIONS
China Needs Better Credit Data to Help Consumers (Policy Brief 18-1)

PROJECTS IN PROGRESS
Finance for the People: How the Internet is Changing Finance in China and Why the Rest of the World Should Care
Prospects and Promise of Central Bank-Issued Digital Currencies
China’s Social Credit System: Automation, Regulation, and Data-Driven Governance

Regular commentator on China, cryptocurrencies, and financial technology for top-tier news outlets in the United States, Hong Kong, and China
FINDING THE RIGHT BALANCE FOR BANKS ON CAPITAL REQUIREMENTS

The global financial crisis produced an important agreement among regulators in 2010–11 to raise capital requirements for banks to protect them from insolvency in the event of another emergency. In his book, The Right Balance for Banks, Cline analyzes whether these reforms have gone far enough. On the cost side, he estimates how much higher capital requirements raise the lending rate facing firms, reducing investment in plant and equipment and thus reducing output in the economy. Applying a plausible range of parameters, Cline arrives at estimates for the optimal level of equity capital relative to total bank assets.

“Recent proposals by the US Treasury Department could weaken capital requirements, undermining the improvement in financial stability that has been achieved.”

“The Economic Cost of Weakening Capital Requirements for Large Banks,” blog post, September 2017

Cline looks at how much the new tax law will worsen inequality but finds what really matters is whether Congress will cut from social programs to make up for the $1 trillion revenue shortfall (Policy Brief 18-3).

SELECTED PUBLICATIONS

The New Tax Law’s Impact on Inequality: Minor but Worse if Accompanied by Regressive Spending Cuts (Policy Brief 18-3)

Will Corporate Tax Cuts Cause a Large Increase in Wages? (Policy Brief 17-30)
GLEANING LESSONS FROM ECONOMIC HISTORY

Cohen-Setton’s ongoing research has provided valuable insights into the evolution of macroeconomic policies and institutions in the United States and other advanced countries. In a study for the European Commission, he found that the Great Depression led the US government to reform the Federal Reserve and give it considerably greater powers to act as a lender of last resort. He concluded that the euro crisis should lead the euro area to similarly reform the European Central Bank.

In a graph that Cohen-Setton wrote about in a blog post and later featured on Twitter (updated with new data above), he compared the path of total factor productivity (TFP) growth in the Great Recession and the Great Depression, arguing with evidence from the 1930s on why TFP would begin to rebound in 2017, as it began to do.

SELECTED PUBLICATIONS

*Sustaining Economic Growth in Asia*, coeditor (forthcoming book)


PROJECTS IN PROGRESS

Large Fiscal Expansions in OECD Countries: Identification and Effects

What Do We Know About Tax vs. Spending Multipliers?

Use of Unconventional Stabilizing Monetary Instruments Yesterday in Advanced Economies

Rethinking the Unconventional in Monetary Policy

Spoke at the “Charting Europe’s Path Forward” event on US lessons for the European banking union and regional convergence of business cycles

Quoted on NPR’s Marketplace on US-France relations and CNBC on French elections
De Bolle’s critically acclaimed 2016 book, *How to Kill the Blue Butterfly: A Chronicle of the Dilma Era*, remains the definitive account of Brazil’s mishandling of its economy that led to its 2015–16 recession. The book was on Amazon Brazil’s top ten best seller list into 2017 and was nominated for a 2017 Prêmio Jabuti, Brazil’s Pulitzer-equivalent prize.

**The New York Times**

“I think the region as a whole—but especially Brazil and Argentina—has learned to recognize that protectionism is a lose-lose strategy.”

Quoted in “World Upside Down: As Trump Pushes Tariffs, Latin America Links Up,” March 18, 2018

Met with Brazil’s Speaker of the House of Representatives Rodrigo Maia (left) in February 2018 and Sao Paulo Governor and presidential candidate Geraldo Alckmin (right) in March 2018 to discuss the country’s trade and fiscal policies.

**CO-LED PIIE’S RESEARCH ON A POSITIVE RENEGOTIATION OF NAFTA**

De Bolle co-led PIIE’s proposal for updating and upgrading the North American Free Trade Agreement to improve US and North American competitiveness in an increasingly competitive global economy. The research concludes that abandoning NAFTA would be disastrous for consumers, producers, and retailers in the United States.

**SELECTED PUBLICATIONS**

A Path Forward for NAFTA, coeditor (PIIE Briefing 17-2)

**PROJECTS IN PROGRESS**

Economic Nationalism
Prospects and Promise of Central Bank-Issued Digital Currencies
Brazil’s Untold Story
Exchange Rates and Trade in Latin America
GRADING THE FEDERAL RESERVE’S MONETARY POLICY

Gagnon continued providing regular commentary and analysis on the Federal Open Market Committee (FOMC) meetings for PIIE’s website, the Wall Street Journal, and other news outlets. He found that the FOMC may have been overly cautious in raising interest rates too quickly to prevent inflation that never seemed to reach its 2 percent target. Gagnon said that overall, the Federal Reserve under Janet Yellen was successful in its implementation of monetary policy without alarming markets and causing a recession, which often happens during tightening cycles.

In an op-ed for the New York Times, “To Fight China on Trade, We Need More Than Tariffs,” Senator Marco Rubio linked to Gagnon’s PIIE Chart showing how currency manipulation by China contributed to high trade imbalances in the 2000s.

SELECTED PUBLICATIONS

Monetary and Exchange Rate Policies for Sustained Growth in Asia (with Philip Turner) (Chapter in forthcoming book Sustaining Economic Growth in Asia)

Can a Country Save Too Much? The Case of Norway (Policy Brief 18-7)

Effects of Consumption Taxes on Real Exchange Rates and Trade Balances (with Caroline Freund) (Working Paper 17-5)

Do Governments Drive Global Trade Imbalances? (Working Paper 17-15)

A Stability-Oriented Exchange Rate Policy for China (Paper in PIIE Briefing 17-1)

PROJECTS IN PROGRESS

Principles for a Harmonious Exchange Rate System

Offshore Renminbi Redux

A Framework for Quantitative Easing
ASSESSING THE STATE OF POPULISM AND POLITICAL ECONOMY IN EUROPE

Commentators predicted the European project would collapse after Britain’s vote to leave the European Union, noting that populism was on the rise and more countries would follow suit. Kirkegaard analyzed the elections in Germany, Italy, Poland, France, Spain, and the Netherlands and found that fears for European stability are vastly exaggerated.

Met with Danish politician and member of European Parliament Jeppe Kofod and his European delegation to discuss US tax policy and its implications for Europe.

Wrote article on why millennials did not support Brexit for Teen Vogue’s greatly expanded and highly respected news and politics section, expanding PIIE’s reach to the magazine’s target audience of young women.

Challenged Senator Bernie Sanders on US taxes during a televised town hall debate, which was later featured on Sanders’ official Twitter account.

SELECTED PUBLICATIONS

- Earmarked Revenues: How the European Union Can Learn from US Budgeting Experience (Policy Brief 18-2)
- Tax Overhaul Risks Making the US Tax and Transfer System (Even) More Regressive (Policy Brief 17-28)
- How to Make Immigration the Bridge to an Orderly and Timely Brexit (Policy Brief 17-17)
- Lessons for EU Integration from US History, coeditor (Report for the European Commission)

PROJECTS IN PROGRESS

- Uneven Ageing: Pension Reform in the Era of Diverging Life Expectancies
- Destination Europe: Impact of Inward Migration
“The authorities should sustain the more moderate expansion of credit, which is consistent with the policy of reducing financial risk and putting China’s growth on a more sustainable path.”

“The authorities should sustain the more moderate expansion of credit, which is consistent with the policy of reducing financial risk and putting China’s growth on a more sustainable path.”


Over the past several years, experts predicted a gloomy scenario for China’s economy, with collapse being imminent. Lardy took a contrarian view and has argued that China’s economic growth remains strong as the country continues rebalancing into a consumption-based economy.

His prescient projections have been realized as he argued that the financial risks in China were severely overstated and that China’s leadership was aware of the risks and taking the necessary steps to slow the growth of credit.

Despite this rosy outlook, Lardy has argued that China is reversing course on many of its reforms of state-owned enterprises, which is acting as a drag on growth and adds a degree of unnecessary risk to its economy.

Spoke in March on the Bloomberg Benchmark podcast to explain who is on China’s new economic team and how they may help direct or deflect a potential US-China trade war.

State-owned Chinese Firms Borrowing Far More Than Private Firms Despite Lagging Profits

Lardy presented research at the January 2018 event, “The New Era of Chinese Economy and China’s Financial Opening-Up,” which was later adapted into a PIIE Chart.

Invited annually as featured speaker at the Boao Forum in China, the top economic and political gathering of the world’s leading experts on China

LEADING FORECASTS ON CHINA’S ECONOMY

State Resurgence in China (Paper in PIIE Briefing 17-1)

PROJECTS IN PROGRESS

China’s Medium-Term Growth Prospects
HELPING SAVE THE TRANS-PACIFIC PARTNERSHIP

Many experts and commentators around the globe predicted the demise of the Trans-Pacific Partnership (TPP) after President Trump chose to withdraw the United States from the agreement in early 2017. Schott met with several trade ministers and negotiators of participating countries to help them devise a plan for moving forward without the United States. As a member of the President’s Advisory Committee for Trade Policy and Negotiations, he urged the US administration to rejoin the agreement. He also spoke at two Asia-Pacific Economic Cooperation forum (APEC) conferences that took place in Vietnam on transforming the TPP into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Speaker at the 2017 Seoul International Conference on Trade and Industry, attended by Korea’s trade minister, chairman of the Korea International Trade Association, and the deputy secretary-general of the OECD

SELECTED PUBLICATIONS

Asia-Pacific Regionalism after the Trans-Pacific Partnership, coauthor (Paper in PIIE Briefing 17-1)

Updating the North American Free Trade Agreement, coauthor (Paper in PIIE Briefing 17-2)

PROJECTS IN PROGRESS

Life after TPP: The Future of Asia-Pacific Regionalism

Economic Sanctions against Russia and the Transatlantic Alliance

Leaving the TPP means US beef exports to Japan are now less competitive.

A graphic adapted from Schott’s research

Met with Swedish Prime Minister Stefan Lofven to discuss US trade policy.

Participated on a panel with former Canadian officials Ed Fast (minister of trade), John Manley (deputy prime minister), and Bob Rae (leader of the Ontario New Democratic Party) at the Canadian Global Affairs Institute.
The economic and political weaknesses of the euro area raise critical questions about its future as a united bloc. Véron co-led a team of 14 economists, along with Jeromin Zettelmeyer, to propose reforms that would improve the euro area’s financial stability, political cohesion, and potential for delivering prosperity to its citizens, all while addressing the concerns of participating countries. They wrote a paper for VoxEU, “Reconciling risk sharing with market discipline: A constructive approach to euro area reform,” which was well received by policymakers across Europe. European Commission Director-General Marco Buti and Director-General of Economic Policy for Germany’s economic affairs ministry Philipp Steinberg praised the proposal publicly.

“Given the likelihood that the UK will leave the single market, the default plan for most international financial firms will be to serve EU27 clients from an EU27 location...an estimated 15 to 25 per cent of [London’s] business is tied to EU27 clients in a way that makes it likely to cross the Channel (or the Irish Sea).”

“What will happen when the banks leave Britain?,” Prospect Magazine, November 13, 2017

SELECTED PUBLICATIONS
Governance and Ownership of Significant Euro Area Banks (Policy Brief 17-18)
Making the Best of Brexit for the EU-27 Financial System, coauthor (Policy Brief 17-8)
Thoughts on Overindebtedness from a European Perspective, coauthor (Paper in PIIE Briefing 17-1)

PROJECTS IN PROGRESS
Governance and Ownership of Banks
European Banking Union
Making the Euro Area Resilient
LEADING THE WAY FOR EURO AREA REFORM

Zettelmeyer co-led a team of 14 economists, along with Nicolas Véron, to propose reforms that would improve the euro area’s financial stability, political cohesion, and potential for delivering prosperity to its citizens, all while addressing the concerns of participating countries. Their paper for VoxEU, “Reconciling risk sharing with market discipline: A constructive approach to euro area reform,” was well received by policymakers across Europe. Zettelmeyer presented the findings to the German Ministry of Finance, Ministry for Economic Affairs, and Chancellor’s Office; French presidential administration, foreign ministry, and Bank of France; the European Central Bank; Bank of Finland; Board of Governors of the Federal Reserve; and the International Monetary Fund.

“Decision makers in all eurozone countries should place this contribution prominently on their policy drawing boards.”

Martin Sandbu, “A Franco-German consensus on the euro?,” Financial Times, January 17, 2018, on the euro area reform report

SELECTED PUBLICATIONS

- The Search for a Euro Area Safe Asset, coauthor (Working Paper 18-3)
- Will Rising Interest Rates Lead to Fiscal Crises?, coauthor (Policy Brief 17-27)
- G-7 Economic Cooperation in the Trump Era, coauthor (Policy Brief 17-15)
- ECB Interventions in Distressed Sovereign Debt Markets: The Case of Greek Bonds, coauthor (Working Paper 18-1)

PROJECTS IN PROGRESS

- Economic Nationalism
- Crises, Adjustment Policies, and Ability to Meet Ends
- Europe’s Search for a Safe Asset
- Implications of Sustained Low Productivity Growth in Advanced Countries

Coorganized “Policy Implications of Sustained Low Productivity Growth” conference, featuring papers by Lawrence H. Summers, Peter Orszag, and Jason Furman, which will be published in a book in fall 2018

“The effort by the 14 FGE [Franco-German economists] is welcome and the main message should be heard loud and clear.”

Director-General of the European Commission Marco Buti, in forthcoming paper for VoxEU
INSTITUTE’S FIRST RESEARCH STATISTICIAN AND QUALITY CONTROL COORDINATOR

Gornostay plays a central role in ensuring that data flowing through the Institute meet rigorous standards of replicability. PIIE research analysts and senior fellows regularly seek his guidance on statistical and programming issues while they are conducting their research.

Gornostay worked with Sherman Robinson to model how many exporting jobs would be displaced by state and sector if the United States left NAFTA.
Lee G. Branstetter
Nonresident Senior Fellow
Joined in 2013
Expertise: Foreign Direct Investment, Intellectual Property Rights, Trade and Innovation, Economic Growth in East Asia

Branstetter substantially contributed to building an international framework for intellectual property (IP) laws. He spoke at two conferences at Stanford University on the economic impact of intellectual property rights and steps the United States should take to protect business IP. He will also publish a paper this year on the challenge of Chinese IP and industrial policy.

Carnegie Mellon University
Director of the Carnegie Mellon University Center for the Future of Work

Projects in Progress
Challenge of Chinese Intellectual Property and Industrial Policy
Economic Potential of a United States-China Bilateral Investment Treaty

José de Gregorio
Nonresident Senior Fellow
Joined in 2013
Expertise: Latin America, Monetary Policy, International Finance, Economic Development

“Monetary policy in Mexico faces a serious dilemma. On one hand is a need to support economic activity; on the other, the fear that if monetary policy is not tightened in line with the Fed funds rate in the US, there could be significant dislocation in financial markets, with rapid capital outflows and disorderly depreciation.”

“Banxico’s monetary policy dilemma,” op-ed in Financial Times, March 1, 2017

Research on productivity in Latin American countries was awarded the Antonio Dionis Soler Research and Studies Award 2017 from the Foundation for Financial Studies.

Projects in Progress
Accumulation of Reserves in Emerging Markets
Corporate Debt Boom in Emerging Markets
Djankov's analysis of Brexit shows that the United Kingdom is not prepared for the impact leaving the European Union will have on its economy. He finds that Brexit will lead to a 12 to 18 percent loss in revenue and a 7 to 8 percent drop in employment in the financial sector for the city of London.

Met with India’s prime minister Narendra Modi to discuss tax reform in India

Dynan is now leading PIIE’s influential forecasting of the US and world economies at the biannual Global Economic Prospects event.

Quoted frequently in top-tier news outlets on the US economy and debt concerns

> Gave keynote addresses at the Society of Government Economics annual meeting, May 2018, and at the Federal Reserve Bank of St. Louis-Private Debt Project Tipping Points II Household Debt Research Symposium, June 2017
> Testified before Congress on the Federal Reserve’s Impact on Main Street, Retirees, and Savings, June 2017

**PROJECTS IN PROGRESS**
Designing Fiscal Policy to Deal with the Next Recession
Global Economic Prospects
JASON FURMAN
Nonresident Senior Fellow
Joined in 2017
Expertise: Macroeconomic Policy, Labor, Fiscal Policy, Tax Policy, United States

641
media citations, the most of any PIIE scholar

Regular columnist for the WSJ

Testified to Congress in three separate hearings on retirement security, the fiscal outlook, and tax reform.

> Became a Senior Adviser to the Global Deal coordinated by the OECD and International Labor Organization
> Delivered the annual Harberger Lecture at UCLA on economic policymaking
> Spoke at the Peterson Foundation’s Annual Fiscal Summit 2017

PROJECTS IN PROGRESS
Impact of Artificial Intelligence on the Future of Work
Next Steps on Tax Reform
Future of Fiscal Stimulus

ANNA GELPERN
Nonresident Senior Fellow
Joined in 2013
Expertise: Sovereign Debt Restructuring, Financial Regulation

Gelpern testified to Congress on the indispensable role of the IMF in Greece’s debt crisis and how an independent IMF is in the US interest.

“[S]overeign debt is a complex political institution, which cannot be reduced to credit or coordination or any other contract problem.”

“The Strained Marriage of Public Debts and Private Contracts,” article in Current History, January 2018

PROJECTS IN PROGRESS
Sovereign Debt: Information and Standardization
What Next for FSOC?
CULLEN S. HENDRIX
Nonresident Senior Fellow
Joined in 2012
Expertise: Africa, Resources and Development, Political Economy

Disruptions to NAFTA Agricultural Trade Could Especially Hurt Trump-voting States

A PIIE Chart adapted from Hendrix’s Policy Brief, Agriculture in the NAFTA Renegotiation

Won the 2017 J. David Singer Data Innovations Award from the American Political Science Association with coauthor Idean Salehyan for research on links between climate change and conflict

PROJECT IN PROGRESS
Can Commodity Exporters Diversify their Economies?

PATRICK HONOHAN
Nonresident Senior Fellow
Joined in 2016
Expertise: Bank Restructuring, Central Banking, Debt, European Union, Monetary Policy

PIIE Policy Brief (17-1), Management and Resolution of Banking Crises: Lessons from Recent European Experience, finds the euro area’s framework for managing and resolving banking crises is insufficient

Wrote op-ed, “How the banks can regain our trust,” for the Irish Times, August 28, 2017

PROJECT IN PROGRESS
Lessons of the Global Financial Crisis and the Euro Crisis for Central Banks

Appointed by Icelandic Ministry of Finance and Economic Affairs to cowrite report with former Cypriot central bank governor Athanasios Orphanides on Iceland’s inflation targeting and monetary policy.

> PIIE Policy Brief (17-1), Management and Resolution of Banking Crises: Lessons from Recent European Experience, finds the euro area’s framework for managing and resolving banking crises is insufficient

> Wrote op-ed, “How the banks can regain our trust,” for the Irish Times, August 28, 2017

PROJECT IN PROGRESS
Lessons of the Global Financial Crisis and the Euro Crisis for Central Banks
**GARY CLYDE HUFBAUER**

**Nonresident Senior Fellow**  
former Reginaid Jones Senior Fellow  
Joined in 1981  
Expertise: Tax Policy, Trade Policy, Foreign Direct Investment, Sanctions

**C-SPAN**  
Debated Public Citizen’s Lori Wallach about misconceptions on NAFTA

372 media citations on the global trading system, free trade agreements, and taxes

**DOUGLAS A. IRWIN**

**Nonresident Senior Fellow**  
Joined in 2018  
Expertise: Globalization, World Trade Organization, Free Trade Agreements, Trade Policy, Trade Deficit

Irwin published his most recent book, *Clashing Over Commerce: A History of US Trade Policy*, the most authoritative and comprehensive work on the debates and changes in US trade policy. He makes sense of this turbulent history by showing how different economic interests tend to be grouped geographically and based on who would win and lose from the changes in trade policy. The book launch in Washington, DC, took place at PIIE in December 2017.

Hufbauer’s Policy Brief (17-16), *The Payoff to America from Globalization: A Fresh Look with a Focus on Costs to Workers*, found that by 2016, the US economy was $2.1 trillion larger as a result of its integration into the global economy since 1950.

**WSJ**

“His chronicle—lengthy, detailed and readable—traces the winding trail that has brought us to the liberal world trading order we enjoy today.”

**The Economist**

“Tells the history of American trade policy showing that trade is neither dull nor deserving of the attacks on it.”

**National Review**

“This book is readable and illuminating, for the trade expert and for all Americans wanting a deeper understanding of America’s evolving role in the global economy.”
OLIVIER JEANNE
Senior Fellow
Joined in 2008
Expertise: Capital Flows, Debt, Exchange Rate Regimes, IMF, International Monetary System, Sovereign Debt Restructuring

Coauthored paper in PIIE Briefing 17-1 arguing that a bilateral investment treaty with China would increase US services exports to the country.

Organized conference on foreign exchange market intervention hosted by the Bank of Israel and Swiss National Bank in December 2017.

PROJECTS IN PROGRESS
Chinese Exchange Rate and Capital Account Regime
Rounding the Corners of the Trilemma
International Transmission of Secular Stagnation

J. BRADFORD JENSEN
Nonresident Senior Fellow
Joined in 2003
Expertise: Trade in Services, Multinational Companies, Outsourcing, Productivity

Figure 1 Shares of agriculture, industry, and services in China’s GDP, 1978–2014

Organized conference on foreign exchange market intervention hosted by the Bank of Israel and Swiss National Bank in December 2017.

PROJECTS IN PROGRESS
Chinese Exchange Rate and Capital Account Regime
Rounding the Corners of the Trilemma
International Transmission of Secular Stagnation

Quoted in media on supply chains and the impact of globalization on US workers.

PROJECTS IN PROGRESS
Globalization of R&D: Evidence from US Multinationals
Role of Headquarters in the Global Economy: Employment and Innovation Implications for the United States

Coauthored paper in PIIE Briefing 17-1 arguing that a bilateral investment treaty with China would increase US services exports to the country.

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PROJECTS IN PROGRESS

Central Banks, Digital Currencies, and Systemic Risk
Cybersecurity and Trade


PROJECTS IN PROGRESS

Central Banks, Digital Currencies, and Systemic Risk
Cybersecurity and Trade

Lawrence finds evidence that the productivity slowdown is real and fears that robots will displace many manufacturing jobs appear unfounded (Working Paper 17-12).

Featured guest on Bloomberg Markets AM to discuss the impact of a US withdrawal from NAFTA on auto supply chains

Why Has Labor’s Share in Income Declined?
Can Manufacturing Still Provide Inclusive Growth?
The overwhelming bulk of Chinese investments can be welcomed without hesitation, their presence greatly beneficial to US workers, firms, communities, and consumers.”

In an op-ed for the Financial Times, Lovely criticizes the Indian government’s 2018 budget for increasing trade barriers against Chinese imports, “thereby running the risk of locking out foreign investors and locking in the world’s largest workforce.”

Wrote several PIIE blog posts on US tariffs on solar panels and the looming trade war with China

“Multinational Investors as Export Superstars: How Emerging-Market Governments Can Reshape Comparative Advantage”

Showed how Malaysia, Costa Rica, and Morocco used FDI to change the export profile of their domestic economies (Working Paper 17-1, coauthored with Caroline Freund)

“A 10 percent increase in employment at an offshore affiliate leads to a 1.8 percent increase in employment at the US firm.”

Findings of Oldenski’s NBER working paper (coauthored with Brian K. Kovak and Nicholas Sly)

PROJECT IN PROGRESS
Investor-State Dispute Settlement Provisions and Foreign Direct Investment

Robinson modeled how many exporting jobs would be displaced if the United States withdrew from NAFTA. Egor Gornostay disaggregated the data by state.

Spoke to the Washington State Senate’s economic and trade committee on the impact of a US withdrawal from NAFTA.

PROJECTS IN PROGRESS
Potential Impact of Deportation of Undocumented Workers
Impact of Potential Trade Wars on the Global Economy
DAVID J. STOCKTON
Nonresident Senior Fellow
Joined in 2013
Expertise: Economic Outlook, Central Banking, Fiscal Policy

Latest GDP projections show gradual improvements

PIIE Chart adapted from Stockton’s Global Economic Prospects presentation in Spring 2017

EDWIN M. TRUMAN
Nonresident Senior Fellow
Joined in 2001
Expertise: Sovereign Wealth Funds, International Policy Coordination, IMF

How should policymakers start regulating digital currencies, like bitcoin?

CHALLENGE #1
No legal entity or centralized governance mechanism.

SOLUTION
Regulate entities that operate where cryptocurrencies intersect with the conventional, incorporated financial system.

Graphics adapted from Truman’s research on regulating cryptocurrencies and initial coin offerings (ICOs)

PROJECTS IN PROGRESS

Research on the International Monetary Fund and the future of global economic cooperation influenced the debate that led to US approval of IMF governance reforms

Sovereign wealth fund research contributed to the Sovereign Wealth Funds: Generally Accepted Principles and Practices (“Santiago Principles”)

PROJECTS IN PROGRESS

International Economic Policy Coordination Revisited

Quoted on the US economy and the Federal Reserve’s policies
Wolfers is a regular columnist for the *New York Times* Upshot on social and economic issues, especially inequality. He also wrote a *New York Times* article on the scarcity of women economists.

- Spoke at PIIE’s popular Rethinking Macroeconomic Policy Conference 2017
- Profiled in the *Sydney Morning Herald*

144K followers, remaining highly influential on social media

Chaired the American Economic Association event on gender issues and economics in January 2018
Freund’s research on NAFTA rules of origin has been especially salient for North American manufacturers, in particular the transportation sector. She finds these rules are strict and highly complex, compared with rules in other free trade agreements, and argues in favor of streamlining them to make North American production more competitive. A video outlining these findings (shown above) was distributed to the network of a major Institute supporter in global manufacturing. She presented her research at the annual Center for Automotive Research conference, attended by auto industry executives and officials from Canada and Mexico.

Freund made numerous media appearances discussing NAFTA, including on Bloomberg where she described the US administration’s proposed sunset clause as akin to asking married couples to renew their marriages every 5 years.

Wrote an article for Teen Vogue in September 2017 examining the dearth of females in the economics field and why more need to join the profession.

ON LEAVE TO LEAD TRADE AND INVESTMENT TEAM AT THE WORLD BANK

As of January 2018, Freund is taking leave to serve as director of trade, regional integration and investment climate at the World Bank. In this role, she manages a team of 120 people focused on helping countries pursue reform agendas conducive to strengthening inclusive growth led by the private sector.

SELECTED PUBLICATIONS


Global Competition and the Rise of China, coauthor (Working Paper 17-3)


PROJECTS IN PROGRESS

Globalization and Mobility Adjustment Assistance
Subramanian’s term as chief economic advisor to the Indian government was extended by one year.

Spoke with media throughout India on the economic survey his office released in January 2018.

In April 2017 he presented his assessment at PIIE on the Indian economy three years after the Modi government came to power.
RESEARCH
PIIE has adopted a comprehensive policy requiring full transparency of its research by providing all data sources and files for Institute work on its website (or links to other sites) to enable other researchers to easily replicate our statistical results. In addition, the Institute discloses sources of funding and any material about authors’ financial relationships that might bear on their research.

**Replicability** is the hallmark of intellectually honest empirical research. We at the Institute believe that enabling researchers to check and replicate our findings will enhance our work’s persuasiveness, elevate the profile of the work in the research community, and increase the Institute’s credibility to critique the policies and research of governments and other organizations. Institute books undergo extensive internal and external peer review, while Policy Briefs, working papers, and other shorter publications are subject to other forms of open internal review at the Institute prior to publication. An upgraded standard set by the Institute, adopted in Spring 2014, allows anyone with the relevant software to reproduce the statistical results in its publications. (The Institute, however, will not provide extensive “after sales service” beyond posting the relevant data and code.) Specific limited exceptions to full disclosure may be made when data are confidential or proprietary or when publication of the data (on illegal activities, for example) could cause direct harm to individuals. These instances will be rare and will themselves be disclosed.

**Financial disclosure is also an Institute commitment.** Supporters of the Institute have been listed annually on the PIIE website since June 2013. All Institute books, Policy Briefs, and working papers acknowledge any direct funding sources, and web pages for these publications provide links to underlying data files to demonstrate the independence of analysis. Funders are never given the right to final review of a publication prior to its release. Author disclosures include employment, consulting, or ownership relationships with firms or public institutions that might be substantially affected by their research. This requirement applies to relationships that have been active three years prior to publication and includes all coauthors on PIIE publications, not just PIIE staff. Authors must also disclose any potential conflict of interest to the Institute that might arise as a result of leadership positions or board memberships in advocacy groups. Consistent with these principles, all authors of any PIIE publications must sign the Transparency and Disclosure form accepting PIIE disclosure and conflict-of-interest requirements. PIIE staff, including nonresident and part-time research staff, may not have a primary affiliation or employment with a for profit company or any organization representing private sector or a government agency’s interests. PIIE staff are free to use their Institute affiliation as personal identification on an outside project or when acting as a consultant, but they must make clear in any written product or public speaking role that it is solely in their individual capacity and that it is neither a PIIE position nor has the project been subject to PIIE review and disclosures.
The Post-American World Economy: Globalization in the Trump Era
Adam S. Posen

Trump’s “America First” policies will make the global rules-based system poorer, nastier, less fair, and more dangerous.

Why China Isn’t Ready Yet to Lead Globalization
Caroline Freund

To overtake the United States as the global leader, China must reform its state-owned enterprises.

Job Opportunities Have Declined for Less-educated Men, but Expanded for Less-educated Women
Caroline Freund and Christine McDaniel (Sidley Austin LLP)

Jobs dominated by less educated men, like metalworkers and carpenters, are in decline, while jobs dominated by less educated women, like manicurists and hair stylists, are rising.

Tax Overhaul Risks Making the US Tax and Transfer System (Even) More Regressive
Jacob Funk Kirkegaard

Among the world’s high-income countries, the United States has the least redistributive government tax and transfer system. Adding federal value-added taxes or general sales taxes, unless supplemented with increases in government transfers to be less regressive, will only worsen income inequality in America.

The Payoff to America from Globalization: A Fresh Look with a Focus on Costs to Workers
Gary Clyde Hufbauer and Zhiyao (Lucy) Lu

The United States gained roughly $2.1 trillion from trade expansion between 1950 and 2016, which translates into an increase of $7,014 in GDP per capita and $18,131 in GDP per household.
Policy Brief

Why Has the Stock Market Risen So Much Since the US Presidential Election?
Olivier Blanchard

Improved economic activity and lower economic policy uncertainty around the world were the main drivers of the stock market rise since the 2016 presidential election.

Book

Currency Conflict and Trade Policy: A New Strategy for the United States
C. Fred Bergsten and Joseph E. Gagnon

As a centerpiece of its new currency policy, the United States should announce that it will apply countervailing currency intervention measures unilaterally against any systemically important country that aggressively manipulates its currency.

Event

The New Era of Chinese Economy and China’s Financial Opening-Up
Third PIIE-CF40 Annual China Economic Forum
To stabilize its economy and improve relations with the United States, China must continue with its economic reforms.

Blog

Venezuela’s Ill-Advised “Cryptocurrency” Scheme: An Update
Monica de Bolle and Martin Chorzempa

The Venezuelan government’s plan to issue a cryptocurrency will not solve the country’s economic problems because the proposal is not a cryptocurrency and, if issued, it is likely to be a highly speculative investment.

Policy Brief

China Needs Better Credit Data to Help Consumers
Martin Chorzempa

Hundreds of millions of Chinese citizens lack access to credit due to insufficient data on creditworthiness. China should build a system that allows consumers to control and share their data with lenders.
Podcast

Trade Talks
Chad P. Bown launched the first ever Peterson podcast that covers international trade issues. His cohost is Soumaya Keynes, a journalist with The Economist.

Blog

The Fallacy of Trump’s Alternative Trade Calculation
Caroline Freund
President Trump’s proposal to change the way we calculate trade balances will superficially but misleadingly inflate the overall US trade deficit and bilateral deficits with important trading partners.

Blog

Trade Talks
Chad P. Bown launched the first ever Peterson podcast that covers international trade issues. His cohost is Soumaya Keynes, a journalist with The Economist.

Working Paper

Going It Alone in the Asia-Pacific: Regional Trade Agreements Without the United States
Peter A. Petri
By withdrawing from the Trans-Pacific Partnership, the United States not only foregoes estimated gains of $131 billion but also loses an additional $2 billion because US firms will be at a disadvantage under the new trade pact without the United States.

Policy Brief

Steel, Aluminum, Lumber, Solar: Trump’s Stealth Trade Protection
Chad P. Bown
The Trump administration’s aggressive and antagonistic use of US trade laws to protect US companies from foreign trade could severely damage the US economy and lead to a trade war. The administration’s approach punishes trading partners who are allies while shutting out the possibility of constructively engaging with China on legitimate grievances.

Blog

We Know What Causes Trade Deficits
Joseph E. Gagnon
The main causes include fiscal policy and currency manipulation. Tariffs and other trade barriers do not affect overall trade deficits.
US Trade Representative “Surprised and Disappointed” Statement from Latest NAFTA Talks—Annotated and Explained

Chad P. Bown and Caroline Freund

USTR Lighthizer should not be surprised that Canada and Mexico are resisting unorthodox changes to NAFTA.

A Path Forward for NAFTA

C. Fred Bergsten and Monica de Bolle, editors

PIIE’s blueprint for renegotiating NAFTA suggests that the negotiations can succeed only if they focus on updating and upgrading the agreement. But President Trump’s zero-sum “America First” agenda could derail the talks and hurt US competitiveness.

A Content Requirement in NAFTA Could Hurt Manufacturing

Caroline Freund

Adding a US-specific content requirement for vehicles imported via NAFTA would likely backfire and hurt the US auto industry.

US two-way trade with Mexico in fruits and vegetables:

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (in billions)</th>
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<tbody>
<tr>
<td>1993</td>
<td>$1.7 billion</td>
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<tr>
<td>2016</td>
<td>$12.5 billion</td>
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NAFTA countries.

Withdrawing from NAFTA Would Hit 187,000 US Exporting Jobs, Mostly in Heartland

Sherman Robinson, Egor Gornostay, Monica de Bolle, and Junie Joseph

US states most affected by a withdrawal from NAFTA would be Arkansas, Kentucky, Mississippi, and Indiana. Autos, agriculture, and manufacturing (non-auto) would be the most affected sectors.

NAFTA Mischief in Fruits and Vegetables

Gary Clyde Hufbauer and Euijin Jung

USTR’s proposal to make it easier to limit imports of fruits and vegetables from Mexico and Canada will only benefit trade lawyers while harming US consumers, as well as US growers of fruits and vegetables sold to Mexico and Canada.

Trump’s NAFTA Agenda—Annotated and Explained

C. Fred Bergsten and Gary Clyde Hufbauer

The administration’s focus on bilateral trade deficits makes no economic sense and could jeopardize the talks. But its support for the WTO is promising given President Trump’s past criticism of the organization.
Rethinking Macroeconomic Policy

Olivier Blanchard and Lawrence H. Summers organized PIIE’s Rethinking Macroeconomic Policy Conference to analyze challenges facing policymakers in today’s environment of low inflation (despite low unemployment), rising inequality and stagnating productivity, and the unresponsiveness of long-term interest rates to rising public debt.

What Ten Million Simulations Tell Us about President Trump’s Chances of Achieving 3-Percent Economic Growth

Jason Furman

The US economy has only a 4 percent chance of growing at 3 percent over the next decade, essentially requiring the economy to repeat some of the fastest productivity growth seen over the past seven decades.

An Unusually Balanced US Recovery

Olivier Blanchard and Colombe Ladreit de Lacharrière (PIIE)

Relative to the six previous post-recessionary expansions, the US recovery from the Great Recession is unusually balanced and healthy.

United States Is Outlier in Tax Trends in Advanced and Large Emerging Economies

Simeon Djankov

Unlike other advanced economies, the US tax system relies primarily on high direct personal and corporate taxes and has no value-added or carbon tax.

Will Corporate Tax Cuts Cause a Large Increase in Wages?

William R. Cline

Wage gains from corporate tax cuts will likely be far smaller than the range claimed by the Trump administration.

Some Preliminary Macroeconomics of the Tax Cuts and Jobs Act

Jason Furman

In presentations given at a 2018 American Economics Association meeting, Furman explains how the Tax Cuts and Jobs Act will increase growth over the next year or two, but will be a drag on long-term growth as it increases the debt.
There Is No Inflation Puzzle
Joseph E. Gagnon
US inflation has remained low while the economy has reached full employment, puzzling some economists. Yet, inflation is behaving exactly as the Phillips curve predicts. The decline in the US unemployment rate is too recent and too small to have caused any significant rise in inflation to date. The real puzzle is why inflation did not decline much in 2010–14, when employment was below potential.

The Paradox of Risk: Leaving the Monetary Policy Comfort Zone
Ángel Ubide
Central banks’ fear of inflation and risk taking impeded global recovery from the Great Recession. Policymakers should leave their comfort zone and take bolder actions to fight recessions.

World Trade and Exchange Rates: From the Pax Americana to a Multilateral New Order
Lord Mervyn King, former governor of the Bank of England, delivered the 2017 Lecture. He outlined the case for greater multilateral cooperation to sustain the international rules-based system.

There Is No Inflation Puzzle
Joseph E. Gagnon
US inflation has remained low while the economy has reached full employment, puzzling some economists. Yet, inflation is behaving exactly as the Phillips curve predicts. The decline in the US unemployment rate is too recent and too small to have caused any significant rise in inflation to date. The real puzzle is why inflation did not decline much in 2010–14, when employment was below potential.
Report

Reconciling Risk Sharing with Market Discipline: A Constructive Approach to Euro Area Reform

A team of European economists proposes a reform package to improve the euro area’s financial stability, political cohesion, and economic growth while addressing the priorities and concerns of euro area countries.

Blog

Positive Signs in European Labor Markets in 10 Charts

Jacob Funk Kirkegaard

The key to continuing the euro area’s recent strong economic performance will be the ability of the region’s labor markets to continue to generate new jobs.

Policy Brief

Governance and Ownership of Significant Euro Area Banks

Nicolas Véron

Public transparency in many significant euro area banks is low, with correspondingly low market discipline. Their links with governments perpetuate the vicious circle between banks and sovereigns, which has been a key driver of the euro area crisis.

Report

Lessons for EU Integration from US History

Jacob Funk Kirkegaard and Adam S. Posen, editors

In a report for the European Commission, PIIE scholars provide insights from the long history of US economic integration to guide European policymakers.

Book

Hard Target: Sanctions, Inducements, and the Case of North Korea

Marcus Noland and Stephan Haggard

North Korea’s robust illicit financial network enables the rogue regime to evade UN sanctions.

Blog

Brazilian Misery: A Cautionary Tale for the US?

Monica de Bolle

Brazil’s economic malaise can explain why the former Brazilian President Luiz Inacio Lula da Silva has been rising in the presidential polls despite facing several corruption charges.
Video

Posen speech on Brexit
Adam S. Posen explains the many ways the UK economy will suffer as a result of its exit from the European Union. Videos of the speech were viewed more than 1.2 million times across social media.

Policy Brief

Making the Best of Brexit for the EU-27 Financial System
Nicolas Véron
Roughly €1.8 trillion (or 17 percent) of all UK banking assets might move to the EU-27 as a consequence of Brexit.

China Trip

PIIE delegation to China
Sixth annual PIIE-CF40 Beijing conference
Adam S. Posen, Nicholas R. Lardy, Jacob Funk Kirkegaard, Jason Furman, Nathan Sheets, Chad P. Bown, Karen Dynan, Nicolas Véron, Jeromin Zettelmeyer, Jeffrey J. Schott, and Zixuan Huang traveled to China in May 2017 for high-level meetings, including a formal discussion with Vice Premier Wang Yang in Beijing on economic reforms in China and US-China relations under the Trump administration.

Policy Brief

The City of London after Brexit
Simeon Djankov
London’s financial sector will lose 12 to 18 percent of revenue and 7 to 8 percent of jobs as a result of Brexit.

PIIE Briefing

US-China Cooperation
PIIE and CF40 scholars identify ongoing areas of common economic interest for Chinese and American governments, practical ways that they might work together on economic issues, and what is at risk if the Trump administration attacks the rules-based international economic system.
COMMUNICATIONS & MEDIA OUTREACH
To broaden its outreach, PIIE has introduced new approaches to communicate its traditional research and commentary. The innovations include improved social media distribution, new visual content, unified branding, all with an eye toward tracking by up-to-date web and search engine analytics.

<table>
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<th>Research-Based Core Content</th>
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<tr>
<td>Policy briefs, briefings, books, presentations, testimonies, working papers, op-eds, and blog posts</td>
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<th>Multimedia/Social Media Content</th>
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<td>PIIE Short Video, Peterson Perspectives, Expert Explainer Video, Event Highlights Video</td>
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<tr>
<td>PIIE Chart</td>
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<tr>
<td>Web Feature, Infographic, Interactive Data Visualization</td>
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<td>Social Media Video, GIF</td>
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Icons from The Noun Project: Rflor, Julynn B., Peter Parničan, Setyo Ari Wibowo, Alfa Design, AlfredoCreates.com/icons & Flaticondesign.com, Alex De Stasio, Sharon Showalter, Gregor Cresnar
PIIE Short Videos Explain the Economy

Dozens of videos were produced distilling complicated topics into accessible formats, such as “Why Reducing Trade Deficits with NAFTA Is the Wrong Strategy” and “What Have Economists Learned from the Global Financial Crisis?” Some videos were adapted from traditional publications or were shortened versions of event videos with accompanying animated text. The videos have been especially effective on Facebook.

TRADE TALKS PODCAST TAKES OFF

_Trade Talks_, a “weekly and geeky” podcast with Senior Fellow Chad P. Bown and _The Economist_ trade reporter Soumaya Keynes, provides an informative, accessible, and entertaining resource for students, economists, journalists, trade officials, and the general public. With its own Twitter account, the podcast has won a loyal following—3,000 listeners per episode—and stellar reviews on iTunes and social media. The show has featured guests like economist Dani Rodrik, European Commissioner for Trade Cecilia Malmström, and journalist Ana Swanson from the _New York Times._

Praise from Social Media

---

_Stephen Tapp_ (@Stephan_tapp)

My choice for the best global trade development to come out of the US this year: the @Trade_Talks podcast by @SoumayaKeynes and @ChadBown

Have a listen to episode 17 on WTO Ministerials piie.com/experts/peters ... via @PIIE

---

_George Peretz QC_ (@GeorgePeretzQC)

Strongly recommend this by @Trade_Talks (@ChadBown and @SoumayaKeynes). Part of a diptych with their podcast 24. Essential and clear explanation of the legal and economic issues surrounding the Trump tariffs: and why the precedent set is so dangerous for 🇺🇸 itself.
PROMOTING NAFTA RESEARCH ACCESSIBLY

Annotated and Explained

Another widely praised innovation came with the introduction of a popular feature in which Institute scholars acerbically annotate official documents in their own handwriting. The most popular critique was levelled at US Trade Representative Robert Lighthizer’s statement during the NAFTA talks.

A Guide to Renegotiating NAFTA

This visual explainer features an interactive map and custom illustrations, which were turned into a series of individual social media posts that generated a torrent of retweets. The office of Leonel Fernández, former president of the Dominican Republic, called to compliment PIIE on this feature.

Rules of Origin Video

Caroline Freund narrated a video explaining why increasing North American content requirements could backfire, reducing the number of American jobs in affected sectors. A major Institute funder was so impressed that its office sought PIIE expertise on videomaking and digital marketing and distributed the video to its network.
PIIE Chart on US Agriculture

A PIIE Chart on NAFTA’s impact on agricultural trade using data compiled by Cullen S. Hendrix shows the states most vulnerable to NAFTA disruptions organized by Trump-voting and Clinton-voting states.

Social Media Graphics

PIIE has posted social media graphics showing how leaving NAFTA would raise tariffs and especially hurt US agricultural exports.

Interactive Map on US Exporting Jobs

The map allows users to rollover individual states and see how many exporting jobs would be dislocated in two different scenarios.

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![PIIE Chart on US Agriculture](image1)

**Disruptions to NAFTA Agricultural Trade Could Especially Hurt Trump-voting States**

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**Interactive Map on US Exporting Jobs**

The map allows users to rollover individual states and see how many exporting jobs would be dislocated in two different scenarios.
PIIE has made headway reaching wider audiences to increase brand recognition and educate the public (and potential future influencers).

PIIE Charts are an increasingly popular feature on social media, distilling research into easy-to-read data visualization and text. Major news media have picked them up, including “State-owned Chinese Firms Borrowing Far More Than Private Firms Despite Lagging Profits” in the Financial Times and “Currency Manipulation Was the Leading Cause of Record Trade Imbalances in 2000s” in a New York Times op-ed by Senator Marco Rubio.

Teen Vogue, one of the most popular US sites for young audiences, especially women, welcomed our pitches for content to that hard-to-reach demographic. Caroline Freund’s “We Need to Talk About How Female Economists Are Treated” and an article by Jacob Funk Kirkegaard, “Why Young People Did Not Support Brexit,” were promoted to the 3.5 million followers of the @TeenVogue Twitter account.

In another innovation, the Institute co-hosted special events with Young Trade Professionals, a program of the Washington International Trade Association (WITA), which were also livestreamed on Facebook, reaching early to mid-career men and women in government, business, and public policy sectors.
SCHOLARS TESTIFY TO CONGRESS

Jason Furman argued in December 2017 that the GOP tax reform bills would raise taxes on middle-class families while giving cuts to those at the top, and increase the national debt with very little effect on growth.

Gary Clyde Hufbauer testified in January 2018 that expanding the mandate of the Committee on Foreign Investment in the United States (CFIUS) to vet outward, not just inward, foreign investments for threats to national security would increase government bureaucracy and hamper the global competitiveness of US corporations.

In July 2017, Karen Dynan defended the independent role of the Federal Reserve and the benefits of accommodative monetary policy for economic recovery.
Monica de Bolle writes columns for Brazilian news outlets *Estadão* and *Poder 360* on economic policy and the political economy in Brazil and the world.

Chad P. Bown regularly contributes to The Monkey Cage column in the *Washington Post*.

Jason Furman regularly contributes op-eds to the *Wall Street Journal*.
MEETINGS PROGRAM
MAJOR EVENTS

In its critical role as a forum for high-level substantive debates on economic issues, PIIE convened events covering the postcrisis future of macroeconomic policy, the slowdown in productivity growth, NAFTA revision, European integration and reform, and more.

Prospects and Challenges for Sustained Growth in Asia

In September 2017, PIIE held a conference jointly with the International Monetary Fund (IMF), Bank of Korea, and the Ministry of Strategy and Finance in Seoul featuring IMF Managing Director Christine Lagarde, Korean Deputy Prime Minister and Minister of Strategy and Finance, Dong Yeon Kim, and Governor of the Bank of Korea, Ju-yol Lee. Over a dozen Asian economies, including China, India, Indonesia, Japan, and Thailand, were represented among the participants.

Rethinking Macroeconomic Policy Conference

Lessons learned from the global economic crisis of 2008–09 were the focus for two days in October 2017 of the most well-attended event at PIIE in the last five years. Some of the 24 speakers included Ben Bernanke, Lael Brainard, Mario Draghi, Andrew Haldane, and Raghuram Rajan. Their remarks and those of other participants were live-streamed, and excerpts were condensed in a standalone Rethinking Macro video series. A conference volume is forthcoming in 2018 by MIT Press in partnership with PIIE.

A Positive NAFTA Renegotiation

PIIE and the Centre for International Governance Innovation cohosted two conferences in June and July 2017 (the second along with the Center for Strategic and International Studies) to explore ways to renegotiate NAFTA in a positive direction by addressing labor, environment, energy, and security issues.
Deepening of the European Economic and Monetary Union (EMU)

In June 2017, the Institute, along with the European Commission, hosted the North American launch of the European Commission’s “Reflection Paper on the Deepening of the Economic and Monetary Union (EMU),” which proposes steps to complete the EMU architecture. Research on the lessons from the United States’ own history of slow integration, conducted by PIIE scholars Jacob Funk Kirkegaard, Anna Gelpern, Nicolas Véron, Jérémie Cohen-Setton, Jeromin Zettelmeyer, and Egor Gornostay, was later presented as an independent guide for European policymakers in March 2018.

Policy Implications of Sustained Low Productivity Growth

Conference organizers Adam S. Posen and Jeromin Zettelmeyer assembled leading economists and practitioners in November 2017 to discuss policies to address the widespread effects if the global slowdown in productivity growth continues.

World Trade and Exchange Rates: From the Pax Americana to a Multilateral New Order

Lord Mervyn King, former Governor of the Bank of England, delivered the Institute’s 17th Annual Stavros Niarchos Foundation Lecture in May 2017. He outlined the case for greater multilateral cooperation to sustain the international rules-based system. Previous Niarchos Foundation lecturers include Agustín Carstens, Alan Greenspan, Mario Monti, Lawrence H. Summers, Jean-Claude Trichet, Long Yongtu, and Ernesto Zedillo. The next Niarchos Foundation Lecture will be given by Tharman Shanmugaratnam of Singapore in May 2018.
PIIE Book Launches

Publishing and promoting books reflecting longer-term research by PIIE authors is one of the Institute’s ongoing priorities.

- Ángel Ubide discussed his widely praised book calling for greater monetary policy boldness to help the world climb out of its economic downturn.
- The last year featured two powerful books on financial regulation, one by William R. Cline on the right level of capital to be held by banks and the other by Morris Goldstein on sweeping reforms of bank stress tests.
- C. Fred Bergsten and Joseph E. Gagnon presented their path-breaking study on currency conflicts and trade policy.
- Marcus Noland and his coauthor, Stephan Haggard, presented their book on the difficulty of imposing economic sanctions on North Korea.
- Paolo Mauro and Tomáš Hellebrandt discussed their book about future economic and environmental burdens on the global economy from an expanding middle class.
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2017

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