

Cornell Perspectives

How I became a more visible advocate for economic policies by jumping from the IMF to Cornell

BY ESWAR PRASAD

Would I be cut off from “reality” if I became an academic? Would people care about what I had to say any more if I was just another professor rather than a senior international civil servant?

These were some of the questions I grappled with as I moved from the International Monetary Fund (IMF), where I had headed the China division and the Financial Studies division, to Cornell in January 2007. Fortunately, my fears proved unfounded. And my dream of being a professor at a top university came with even more benefits than I’d imagined.

Armed with a Ph.D. from the University of Chicago and starry-eyed at the thought of doing policy work, I joined the IMF in the early 1990s. I went on IMF “missions” to many countries, where I contributed analytical material to country reports. I was also able to continue with my research on labor markets, business cycles, and international trade and finance.

One of the highlights of my IMF career was when I led a mission team to Burma (or Myanmar) in 2002. The military leaders had just let Aung San Suu Kyi (the 1991 Nobel Peace Prize winner) out of house arrest, and there was hope in the air. Despite veiled threats from the generals, I was able to meet with her twice. Her graciousness and resolve to do the right thing for her people, despite all the hardships she had to face, were truly impressive. One could sense immediately why the Burmese people would be willing to lay down their lives for this lady. Sadly,

soon after I returned to Washington, the generals clamped down again, and things have gone from bad to worse since then. [Daw Aung San Suu Kyi has been under house arrest since May 2003.]

Later in 2002, I became the IMF’s division chief for China. I was warned that the Chinese leadership had an antagonistic relationship with the IMF, but with fortuitous timing, the new leadership installed in spring 2003 set a different tone. The new leaders of the central bank, for instance, were happy – even eager – to hear policy advice, even if they did not necessarily agree with it.

My team needed little further encouragement. We produced a large amount of research in subsequent years, on subjects ranging from financial sector reforms and exchange rate policy to fiscal and labor market reforms. I learned that policy-makers take you much more seriously if your policy recommendations are based not on dogma but on careful analysis that does not shy away from the messy realities of practical policy-making. I also began to appreciate the importance of conveying deep analytical concepts in a simple and straightforward manner to policy-makers



PROVIDED
Eswar Prasad (left) in a discussion with Li Ruogo, chairman and president of the Export-Import Bank of China (former deputy governor of the People’s Bank of China).

ers unfamiliar with academic theories and jargon. Perhaps this is why Cornell thought I would make a decent teacher!

Leaving the IMF and coming to Cornell was not an easy decision. But after a couple of visits to campus, I was hugely impressed by the quality and dedication of my colleagues and the students here, as well as the remarkable range of their interests. Moreover, the vision of Nandlal P. Tolani, M.S. ‘47, Ph.D. ‘64, who endowed my professorship to promote ties between U.S. academia and Indian educational/

policy institutions, fit in nicely with my longer term goals. I was also excited that Cornell has top astronomy and physics depart-

ments. I often venture into lectures in those departments and never fail to come out inspired and energized.

As I travel around the world, I have come to recognize the value of a Cornell affiliation. Indeed, in China, India and other countries in East Asia, the Cornell reputation seems even stronger (or should I say hotter) than it is in the United States. Even as a freelancing academic, I have been able to hold discussions with senior policy-makers in these countries – indeed,

these discussions are often more frank and interesting than when I was on IMF missions.

Being a professor has allowed me to apply my research to become a more visible advocate for sensible economic policies. For instance, I am now engaged in trying to cool the heated rhetoric about Chinese “currency manipulation.” I have tried to reframe this debate by pointing out that China should modify its exchange rate regime because it is in China’s own interests rather than because U.S. policy-makers are pushing for it. And the U.S. would be better served by advocating for broader reforms in China that would promote balanced and sustainable growth there, rather than focusing single-mindedly on the exchange rate issue.

I have advanced these arguments in academic papers and general interest articles, testified before Congressional committees, and been providing background technical advice to these committees and to Chinese and U.S. officials. It’s a lot easier doing all of this now that I’m not an international civil servant – academic freedom is wonderful!

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