

LACEA FY2001 Narrative Report

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I. Introduction

In July 2000 the World Bank awarded the Latin American and Caribbean Economic Association (LACEA) with US\$ 400,000, from its 2000 Fiscal Year Development Grant Facility. This is part of the Bank's FY2000 program on Regional Research Consortia capacity building financed by the Development Grant Facility (DGF). The purpose of the grant was to support LACEA's capacity-building elements (annual meeting, sponsored research networks, training activities and the journal *Economía*, among others) during the fiscal year July 1, 2000 through June 30, 2001.

An Advisory Board for the DGF grant was established consisting of the LACEA Executive Committee and Lyn Squire of The World Bank. The Advisory Board provided advice on the allocation of the DGF funds and assessed the quality of the research and other activities funded by the DGF grant.

This report provides an overview of LACEA's grant activities and emphasizes the association's focus on bridging the gap between research economists and economic policy-makers in Latin America and the Caribbean with their counterparts in the North and with increasing their access to the latest research results relevant to Latin America from around the world. LACEA continues its dedication to increasing the dialogue among economists, who pursue work on Latin America, from differing political and methodological approaches.

As the report indicates, LACEA has been moderately successful in allocating its resources to encourage participation by researchers in countries of the region where capacity building is needed most. By allocating resources in this manner, LACEA has achieved its three main objectives: to encourage greater participation in research and teaching; to promote interaction among scholars, teachers and policy-makers; and to sponsor programs, meetings and conferences for scholarly exchange.

II. Background

The Latin American and Caribbean Economic Association (LACEA) was founded in July of 1992 in order to encourage greater professional interaction and foster increased dialogue among researchers and practitioners whose work focuses on the economies of Latin America and the Caribbean. Since its creation LACEA has grown to an organization with more than 400 active members. Starting from 1996, the association has held annual meetings in Mexico City, Mexico; Bogota, Colombia; Buenos Aires, Argentina; Santiago, Chile; Rio de Janeiro, Brazil; and most recently in Montevideo, Uruguay. Additionally, in 1997, LACEA created two networks, the Network on Inequality and Poverty in conjunction with the Inter-American Development Bank and the World Bank, and the Network on Political Economy. Since 1999 LACEA has supported research in the area of international finance and economics by funding two workshops annually, aimed to bring prominent scholars from the north to interact with young scholars from the south. In 2000, LACEA created another network, the Regional Integration Network, focused on issues of regional trade agreements. In 2000, LACEA successfully launched its journal *ECONOMIA*. The journal, modeled on The Brookings

Papers on Economic Activity and Economic Policy, is published twice a year. LACEA's history, by laws, annual meetings, description of networks and related information can be found on its web site at www.lacea.org.

An Executive Committee, whose members are noted below, governs LACEA.

| | |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President | Guillermo Calvo, <i>University of Maryland</i> , |
| Vice-President | Sebastian Edwards, <i>University of California, Los Angeles</i> |
| Secretary | Ariel Fiszbein, <i>The World Bank</i> |
| Treasurer | Enrique Mendoza, <i>Duke University</i> |
| Past Presidents | Albert Fishlow, <i>Violy, Byroum & Partners Holdings</i> Nora Lustig, <i>Inter-American Development Bank</i> |
| Directors-at-Large | Nancy Birdsall, <i>Carnegie Endowment for International Peace</i> Mauricio Cárdenas, <i>Independent Consultant, Colombia</i> Eliana Cardoso, <i>Independent Consultant</i> Jose De Gregorio, <i>Ministry of Finance, Chile</i> Ricardo Hausmann, <i>Harvard University</i> Ricardo Paes de Barros, <i>Institute of Applied Research (IPEA), Brazil</i> Jaime Ros, <i>Kellogg Institute for International Economics, Notre Dame University</i> Federico Sturzenegger, <i>Torcuato Di Tella University, Argentina</i> Ernesto Talvi, <i>CERES, Uruguay</i> Mariano Tommasi, <i>Center de Estudios para el Desarrollo Institucional Fundacion Gobierno y Sociedad, Argentina</i> Carlos Vegh, <i>University of California, Los Angeles</i> Andres Velasco, <i>Harvard University</i> |

III. LACEA's Research Objectives and DGF Sub-grant Allocation

Since its foundation, LACEA has focused its efforts in three main areas:

- 1. Encourage research and teaching** related to the economies of Latin American and Caribbean countries and to foster dialogue among researchers and practitioners whose work focuses on the economies of the region. As a matter of policy, LACEA welcomes economists of all nationalities, theoretical orientations and policy perspectives.
- 2. Encourage interaction among scholars, teachers and policy-makers** residing and working in Latin America and the Caribbean as well as professionals residing outside the region.

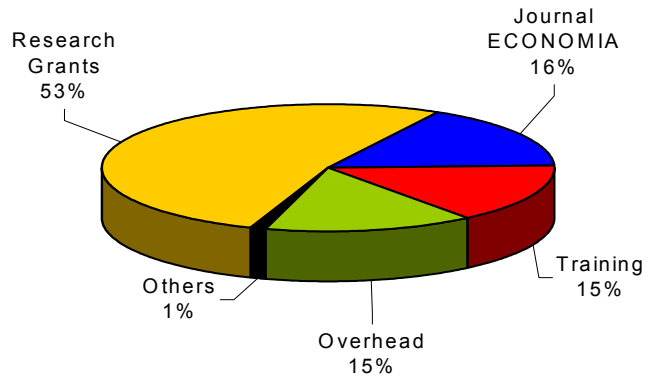
- 3. Sponsor programs, meetings, conferences and other opportunities for scholarly exchange** among individuals and organizations concerned with the economies of Latin American and Caribbean nations. In this capacity, LACEA can act both independently and as a member of other professional or nonprofit associations.

In accordance with these objectives and following the consultation with the DGF Advisory Board, LACEA arranged for the grant funds to be awarded to select sub-grantees. These sub-grants were awarded to researchers on the basis of a peer-review, competitive process. While the main criterion for awarding grants was the quality of the proposals, the allocation of the grant funds was aimed to encourage participation by researchers in countries of the region where capacity building needs are the greatest.

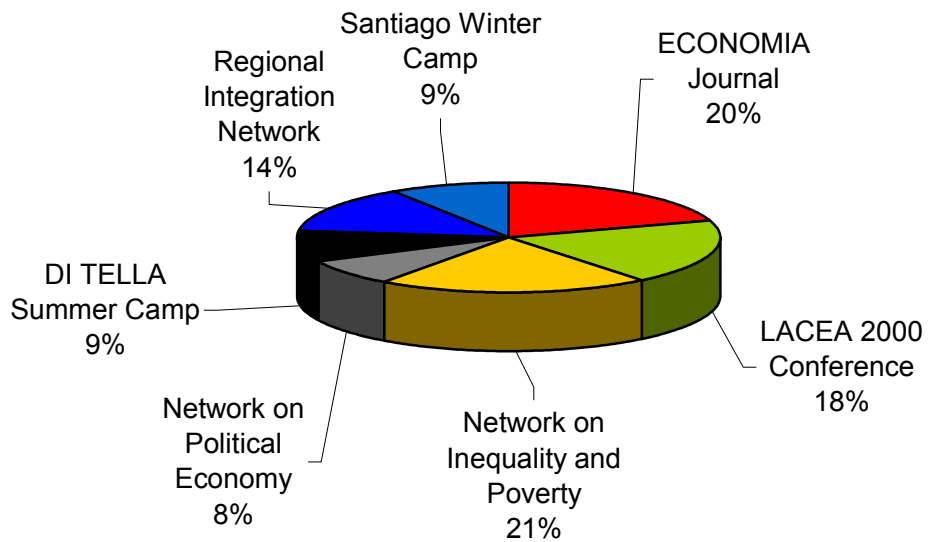
The grants were divided in 3 basic categories: (1) Research, (2) Training, and (3) Journal activities. As agreed, 15 percent of the grant was used to cover expenses related to the administration of the grant (reporting, auditing and accounting requirements, and the administration of the sub-grants disbursement process). The following table provides a summary of the allocation of DGF funds.

| Category | Amount US\$ |
|------------------------------------------------------------|----------------|
| Research Grants | |
| LACEA2000 Conference Papers | 62,000 |
| Networks | |
| Political Economy | 25,000 |
| Inequality and Poverty | 78,000 |
| Regional Integration | 45,000 |
| Training Grants | |
| Winter Camp 2001 in International Finance and Economics | 30,000 |
| Summer Camp 2000 in International Economics and Finance | 30,000 |
| Journal ECONOMIA | |
| Journal Papers | 20,000 |
| Production Costs | 45,000 |
| Subtotal | 335,000 |
| Overhead plus Buffer (overhead at 15% of total grant) | 65,000 |
| TOTAL | 400,000 |

DGF Sub-grants Allocation



Research and Training Sub-Grants



IV. Description of Sub-grants¹

LACEA 2000 Annual Meeting

US\$ 62,000

In 1996, LACEA began holding its own international meetings. The meetings have been highly successful and have grown steadily in size. The first meeting, hosted by ITAM, in Mexico City, featured 157 papers and 200 participants. The 2000 conference took place in Rio de Janeiro, Brazil, October 11-14, 2000, marking the fifth international meeting of the organization. The meeting was organized with the collaboration of the Departamento de Economia at the Pontifical Catholic University of Rio de Janeiro (PUC-Rio).

Francisco Ferreira of the Department of Economics at PUC-Rio and Ilan Goldfajn, of PUC-Rio and the Central Bank of Brazil, served as the lead organizers of the conference. Over 300 papers were selected for presentation (from 815 submitted) to an audience of just over 500 participants. A description of the selection procedure used to identify recipients of LACEA's grant funds can be found in the full meeting report located in Appendix A.

The conference program was selected and organized by a geographically diverse group of distinguished scholars from all of LAC, the US and Europe as noted below.

International Program Committee:

François Bourguignon, *Delta and The World Bank*
 Guillermo Calvo, *University of Maryland*
 Eliana Cardoso, *Egyptian Center for Economic Studies*
 Angus Deaton, *Princeton University*
 Eduardo Engel, *Universidad de Chile*
 Raquel Fernandez, *New York University*
 Jose de Gregoria, *Ministry of Planning, Chile*
 James Heckman, *University of Chicago*
 Alejandro Hernandez, *ITAM*
 Nora Lustig, *Inter-American Development Bank*
 José A. Scheinkman, *Princeton University*
 Mariano Tommasi, *Universidad de San Andres*
 Carlos Vegh, *UCLA*

National Program Committee:

Afonso S. Bevilaqua, *PUC-Rio*
 Marco Bonomo, *EPGE/FGV*
 Francisco Cribari, *UFPE*
 Francisco Ferreira, *PUC-Rio*
 Pedro Ferreira, *EPGE/FGV*
 Márcio Garcia, *PUC-Rio*
 Ilan Goldfajn, *PUC-Rio and Banco Central do Brasil*
 Gustavo Gonzaga, *PUC-Rio*
 Marcos Lisboa, *EPGE/FGV*
 Eduardo Loyo, *Harvard University*
 Naércio Menezes, *USP*

¹ Please see Annex for individual report of activities

Humberto Moreira, *PUC-Rio*
 Walter Novaes, *University of Washington at Seattle*
 Marcelo Portugal, *UFRGS*
 Maria Cristina Terra, *EPGE/FGV*

The table below provides a sample of some of the papers presented at the conference. In addition, the conference agenda, papers, list of participants and more can be found on the LACEA website under the 2000 annual meeting (www.lacea.org).

| Title | Author | Gender | Institutional affiliation | Country |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|---------------|----------------------------------|----------------|
| “The Impact of Public Provided Job Training in Colombia” | Carlos Medina | M | Universidad de los Andes | Colombia |
| “On the Nature of Income Inequality Across Nations” | Joao Victor Issler | M | EPGE-FGV | Brazil |
| “Effects of Financial Access on Savings by Low-Income People | Fernando Aportela | M | Banco de Mexico | Mexico |
| “The Asian Flu and Russian Virus: Firm-Level Evidence on How Crises are Transmitted | Kristin Forbes | F | MIT | United States |
| “Job Loss, Change in Marital Status and the Allocation of Time within Families: Evidence from Urban Mexico | Susan Parker | F | IFPRI | United States |
| “Welfare in Villages and Towns: Micro-level Estimation of Poverty and Inequality” | Chris Elbers (with Jean O. Lanjauw and Peter Lanjouw) | M | VU-Amsterdam | Belgium |
| “Taking the Business Cycle’s Pulse to Some Latin American Economies: Is there a Rhythmical Beat?” | Alejandro D. Jacobo | M | Universidad Nacional de Crodoba | Argentina |
| “Determinants of Student Achievement and School Effects in Bolivia” | Pilar Romaguera (with Alejandra Mizala and Teresa Geinaga | F | Universidad de Chile | Chile |
| “The Welfare Effects of Balance of Payments Reform: A Macro-Micro Simulation with application to Jamaica” | Damien King (with Sudhanshu Handa) | M | University of West Indies | Jamaica |

Network on Political Economy (PEG)

US\$ 25,000

In 2001, LACEA's Network on Political Economy (PEG) endeavored to partner with the Network on Inequality and Poverty and the World Bank Institute. The main objective of such a joint venture was to make a link between political economy and building the capacity of poor countries in the design and implementation of effective poverty reduction strategies.

In light of this focus, the workshop on "The Political Economy on the Delivery of Social Services" was organized in Lima, Peru, June 21-23, 2001, under the coordination of Jaime Saavedra and Maximo Torero of the Group of Analysis for Development (GRADE). Seventeen papers were accepted and eleven were presented during the workshop. The format of the workshop was divided into two modules. The first was an open session to which policy makers, academics and civil society actors were invited and the second was a two-day closed seminar during which selected papers were presented and discussed.

The overall theme of both events dealt with the building of constituencies for anti-poverty strategies, and the development of coalitions and alliances in favor of social action and harnessing and organizing support for rational social policies that benefit everyone in the long run. Not surprising, there is a large gap between the supply of social services, such as education, health and nutrition and the financial, fiscal and real resources that are intended to lead to a healthier and longer life. The workshop dialogue focused on the need to overcome obstacles imposed by institutions, lack of skills and aptitudes, attitudes, living standards and policies themselves.

The workshop was deemed highly successful. The open session, which included three invited speakers, reached an audience of 173 people, and allowed policy makers an opportunity to hear the results of the recent research highlighting case studies on the delivery of social services. (Appendix B includes a detailed list of participants and papers.) The closed session was carefully organized to allow ample time for a more in-depth academic discussion on the papers that were chosen from an open solicitation for papers. One important outcome was the acknowledgement that there is not sufficient applied research in the form of case studies in the area of social service delivery. The group suggested that a deeper understanding of the structure and functioning of political institutions throughout the region would further the understanding of their impact on public policies. The group went so far as to suggest that LACEA could take a leadership role in helping structure the theoretical platform for such case studies.

The PEG also succeeded in diversify its reliance exclusively on funding from LACEA, one of the stipulations set out in its grant agreement with GDN. This was made easier by the partnership with the Network on Inequality and Poverty, The Inter-American Development Bank and the World Bank Institute. Given these additional resources, PEG was also able to achieve another of LACEA's key goals, which is to increase participation from countries typically underrepresented in such academic programs. The

table below summarizes the paper topics, the authors and the related institutions and affiliations. (A complete report from the PEG is found in the Appendix B.)

| Title | Author | Gender | Institutional affiliation | Country |
|----------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------|---------------------------------------|----------------|
| Evaluating a Voucher System in Chile: Individual, Family and School Characteristics | Dante Contreras | Male | Universidad de Chile | Chile |
| The Impact of Social Capital on Poor Borrowers and Savers | Dean S. Karlan | Male | Massachusetts Institute of Technology | United States |
| Decentralized, Efficient Organizations of Microfinance: the Case of the Peruvian Municipal Banks | Janiana V. Leon | Female | Wittenburg University | United States |
| The Institutions of Corruption: A Governance Approach to Administrative Corruption in the Delivery of Services | Jose Alberto Garibaldi | Male | FLASCO | Mexico |
| Violent Crime: Does Social Capital Matter | Manuel Ontiveros Jimenez | Male | Universidad Anahuac | Mexico |
| Demand Matters: School District Concentration, Composition, and Educational Expenditure | Miquel Urquiola | Male | The World Bank | United States |
| The Political and Institutional Determinants of Social Policy: A Transactional Approach | Mariano Tommasi and Ariel Fiszbein | Male | Universidad de San Andres | Argentina |
| Does Decentralization Increase Government Responsiveness to Local Needs? Decentralization and Public Investment in Bolivia | Jean Paul-Faguet | Male | London School of Economics | United Kingdom |
| Vouchers for Private Schooling in Colombia: Evidence from a Randomized National Experiment | Eric Bettinger | Male | Case Western Reserve University | United States |

Network on Inequality and Poverty (NIP)

US\$ 78,000

The LACEA/Inter-American Development Bank and World Bank Network on Inequality and Poverty (NIP) is a joint initiative that aims to advance the state of knowledge and expertise regarding the cause and consequences of poverty, inequality and social exclusion within Latin America and the Caribbean, and the whole range of policies, institutions, and social structures that influence their dynamics as well as the impact of public action. The NIP typically organizes sessions in conjunction with LACEA's annual meeting to take advantage of the larger number of participants able to attend.

In 2001, the network invited submission of project proposals from its national chapters. Selected projects focused on the distributive impacts of privatization and deregulation. It also identified projects for 2002 in the area of impact evaluation of poverty reductions programs. NIP organizers were successful in securing additional financial support from the Inter-American Development Bank and the organizations in charge of implementing the projects on the part of the network's national chapters. This contributed to strengthening country ownership and capacity building. Research topics proposed for 2001 included:

- What is the main impact of specific deregulation/privatization policies on consumer prices?
- What is the impact of economic inefficiency?
- Is it possible to identify the impact on the wage structure?
- How has the wage structure affected the consumption patterns throughout the income distribution?
- Can winners and losers be easily identified? If so, is there an efficient and feasible way to compensate the losers?
- Is there any way to introduce compensating schemes in the design of these policies on an ex-ante basis?

The case studies were selected through an open, competitive bidding process, based on technical quality and data availability. Proposals specified length of the project, participants and outputs. Preference was given to excellent economic research proposals linking researchers in two or more countries. The top four qualifying research projects were eligible for monetary support, including stipend, travel and accommodation expenses for two workshops to discuss and present ongoing progress and a presentation at the network's annual meetings. Two leading experts in the topic from top U.S. research universities led young researchers from four countries of the region. A final workshop will be held in 2002 at the University of Las Americas in Puebla, Mexico for the presentation of the completed projects.

Preliminary results of the two projects were presented at the Network's annual meeting held in Montevideo, Uruguay on October 18, 2001, in conjunction with LACEA's Annual Meeting. The keynote address was given by Martin Ravallion of the World Bank, "Assessing the Impact of Anti-Poverty Programs, Lessons from the Evaluations of Argentina's 'Trabajar' Program." The meeting consisted of two sessions. The morning session was devoted to the presentation of initial results of the privatization project. Also,

to show advances in the research that was in process within NIP on social exclusion related to race and ethnicity, three case studies (Bolivia, Nicaragua and Mexico) were presented in the afternoon session. This session was led by Professor David Lam from the University of Michigan, who gave a keynote presentation on the topic focused on racial inequality in education comparing the U.S., Brazil and South Africa. The full conference program can be found in the appendix C.

Finally, given the additional financial support, the Network was able to streamline its web site to collect and disseminate academic work on poverty and inequality issues, including a newly established NIP Working Paper Series. The web site is located at <http://www.nipnetwork.org/index.html>.

Winter Camp in International Finance and Economics, Santiago, Chile *US\$ 30,000*

The Winter Camp in International Economics and Finance meets once a year. The goal of these meetings is to gain a better understanding of the macroeconomic problems faced by Latin American countries, and to encourage research on the subject by young economists.

The format of the camp is akin to a workshop allowing for a thorough presentation and analysis of each paper. The informal nature of the interaction also fosters a highly collegial atmosphere such that young scholars from Latin America have ample opportunity to interact with their more senior counterparts.

The third Winter Camp was jointly organized by the Faculty of Economics of Universidad de Chile and the Center for International Economics of University of Maryland. It was held in Santiago, Chile, January 15-17, 2001.

The organizing committee appointed a Program Committee to overview the selection of the papers to be presented at the meeting. As in the past, those authors selected to present their work at the meeting were offered a small grant in the form of travel and hotel expenses.

Summer Camp in International Economics and Finance *US\$ 30,000*

The Summer Camp in International Economics and Finance meets every August and is organized by the Center for International Economics at the University of Maryland and the Department of Economics at the Universidad Torcuato Di Tella in Buenos Aires, Argentina. Like the Winter Camp, this is a unique event that brings together top researchers, financiers, and policymakers from the North and the South to discuss recent theoretical and empirical advances in International Finance, with special emphasis on recent crises. One key advantage of holding these Camps in the South is that they facilitate the participation of policymakers that are directly dealing with these problems.

It is expected that over the years this type of intellectual exercise will help to identify key issues, and induce influential researchers to devote their energies to these issues. This type of policy-oriented research should eventually result in economic policies in the north and the south that will prevent these crises, induce macroeconomic stability, and foster growth.

The 2000 Summer Camp was held August 21-23, 2000 on the campus of the Universidad Torcuato Di Tella. The workshop was organized into brainstorming sessions for invited participants and general sessions open to the public. The brainstorming sessions were devoted to recent research on macroeconomic risk management in small open economies, asset prices in emerging economies, and financial crises and their transmission.

The sessions open to the public included panel discussions with policy makers as well as academics, conducted mainly in Spanish. The panelists discussed the role of foreign banking in Latin America and the role of the IMF in advanced emerging countries. The final session was devoted to the timely topic of the future of Mercosur.

The selected presentations (for the closed sessions) were chosen on the basis of an open competition. Papers were solicited through a call for papers and were ultimately chosen by a group of well-respected scholars in the field. The table below lists some of the papers selected for presentation. A web site is available at:
<http://www.utdt.edu/congresos/economia/sc2k.htm>.

| Title | Author | Gender | Institutional affiliation | Country |
|---------------------------------------------------------------------|----------------------------------------------------------------|--------|------------------------------------------------------------------|---------------|
| Output Costs, Balance of Payment Crises and Optimal Interest Policy | Amartya Lahiri and Carlos Vegh | Males | UCLA | United States |
| Balance Sheets and Exchange Rate Policy | Andres Velasco , (with Roberto Chang and Luis Céspedes) | Male | New York University | United States |
| On the Fundamentals of Self-fulfilling Speculative Attacks | Craig Burnside, Martin Eichenbaum and Sergio Rebelo | Males | The World Bank, Northwestern University, Northwestern University | United States |
| An Estimate of Currency Unions on Trade and Growth | Andrew Rose (with Jeffrey Frankel) | Male | University of California at Berkeley | United States |
| Banking Crises and Exchange Rate Regimes | Maria Soledad Martinez-Pereyra | Female | The World Bank | United States |
| Monetary Policy in an International Financial Crisis | Lawrence Cristiano , Cristopher Gust, | Males | Northwestern University | United States |

| | | | | |
|--------------------------------------------------------------------------------------|----------------------------------------------|--------|-------------------------|---------------|
| | Jorge Roldos | | | |
| Dollarization of Liabilities: Underinsurance and Domestic Financial Underdevelopment | Richard Caballero (with Arvind Krisnamurthy) | Male | MIT | United States |
| Country Portfolios | Aart Kraay | Male | The World Bank | United States |
| Heterogeneity and Evolution of Expectations in a Model of Currency Crisis | Jasmina Arifovic | Female | Simon Fraser University | Canada |

ECONOMIA-Journal of LACEA

US\$ 65,000

In the Fall of 2000, LACEA published the first issue of a new journal focusing on economic policy issues relevant to Latin America. The objective of this journal is to provide a forum for high-quality research directly applied to policy issues within and among countries of Latin America and the Caribbean. The journal, which goes by the title *Economia*, is published by The Brookings Institution Press.

The countries of Latin America and the Caribbean have experienced dramatic changes in economic policy in the last decade, decisively moving toward more open market systems. The reforms have gone hand in hand with a remarkable increase in the quality of the policy debate in the region. At the same time, a new generation of highly trained economists, many of them graduates of top-notch academic programs in North America and Europe, have reached positions of great influence and responsibility and the quality of economics research and teaching has improved markedly. Yet many of these policy debates remain focused at the country level. There is a limited number of forums at which economists and policy makers from the region can come together to share thoughts and experiences on given policy issues. Moreover, there are even fewer outlets where these policy lessons can be put into writing, subjected to strict academic standards, and made accessible to a broader audience, both within and beyond the region.

This context created important opportunities for a new journal that offers a product that is clearly differentiated from run-of-the-mill academic publications. *Economia* has three distinguishing characteristics:

- It is a policy journal --that is, one in which new theories or techniques are applied to policy questions, and not simply presented for their own sake.
- It seeks papers on issues that are both at the forefront of the policy agenda and of broad interest to countries throughout the region. Examples include the design of regulatory frameworks for privatized utilities, lessons on avoiding Asia-style financial meltdown, managing the challenge of greater economic integration, and new research on the determinants of earnings inequality.

- It demands the highest standards of theoretical and statistical rigor, but only publishes papers that are written in a style and language that makes them accessible to policy makers.

Andrés Velasco, of the John F. Kennedy School of Government at Harvard University, and the University of Chile, is the journal's editor. The Editorial Board is made up of the following highly qualified academics, based in Latin America as well as outside the region:

Based in Latin America:

- Eduardo Engel (Universidad de Chile)
- Francisco Ferreira (PUC-Rio, Brazil, and World Bank)
- Ilan Goldfajn (PUC-Rio, Brazil)
- Jose de Gregorio (Minister of Economy, Chile)
- Hugo Hopenhayn (Universidad Torcuato di Tella, Argentina)
- Roberto Steiner (Universidad de los Andes, Colombia)

Based in the United States:

- Raquel Fernández (NYU)
- Nora Lustig (Inter-American Development Bank and Brookings Institution)
- Carmen Reinhart (University of Maryland)
- Florencio López de Silanes (Harvard University)
- Carlos Vegh (UCLA)

The journal includes two kinds of papers. Roughly half of the papers are commissioned by the Editorial Board with an eye toward topics of policy relevance in the region. The remainder of the papers are chosen from the invited and submitted contributions presented at the LACEA annual meeting. The organizing committee of the annual meeting has the responsibility of suggesting papers to the Editorial Board. This is a major channel to disseminate research produced in the region which may otherwise lack international outlets. Both commissioned and submitted articles are subjected to standard refereeing procedures, and the Board and the Managing Editor retain full rights not to publish papers that do not meet the journal's standards. A copy of the Spring 2001 issue of *Economía* is included in Appendix F.

Following is a list summarizing the contents of the second issue circulated in Spring 2001

- Kristin J. Forbes and Roberto Rigobon: "*Contagion in Latin America: Definitions, Measurement, and Policy Implications*"
- Pierre-Olivier Gourinchas, Rodrigo Valdes and Oscar Landerretche: "*Lending Booms: Latin America and the World*"
- Ilan Goldfajn and Gino Olivares: "*Full Dollarization: The Case of Panama*"
- Mariano Tommasi, Sebastian Saiegh, and Pablo Sanguinetti: "*Fiscal Federalism in Argentina: Policies, Politics, and Institutional Reform*"

Regional Integration Network

US\$ 45,000

In 2000, LACEA created the Regional Integration Network to focus on the recent theoretical and empirical advances in the economics and politics of Regional Integration Agreements (RIAs). The network held its first workshop in Punta del Este, Uruguay, December 14-18, 2001. The workshop was sponsored by LACEA and organized by the Center for the Study of Economic and Social Affairs (CERES) located in Montevideo, Uruguay.

The RIN Workshop is designed to bring together top researchers, policymakers and trade negotiators from the North and the South to gain a better understanding of the problems, opportunities and policy challenges faced by Latin American countries in the process of integration and also to encourage further research on the subject. These goals mirror those of LACEA, namely, to “*stimulate intellectual interest in issues of relevance for Latin America and the Caribbean and to continue fostering interaction between academics and policy makers*”.

The workshop opened with a dinner and keynote address by José Manuel Salazar (Organization of American States, Trade Unit) on “*Regionalism, the FTAA and the Multilateral System: Where do we stand now?*”. During the following three days of brainstorming sessions, eight papers were presented. Each paper was briefly commented by a discussant leaving ample time for what turned out to be a very lively discussion among the thirty one participants. The Workshop finished with a Round Table, open to the public, on “*Argentina, Brazil and Mercosur at a Crossroad: Is there Light at the End of the Tunnel?*” that featured Guillermo Calvo (Chief Economist, IADB), Guillermo Mondino (Former Chief Economist, Ministry of Finance, Argentina), Guillermo Perry (Chief Economist, LAC, The World Bank) and Ernesto Talvi (Chief Economist, CERES). The Round Table was held in Montevideo and was attended by 450 participants including government officials, legislators, ambassadors, representatives of multilateral institutions, representatives of the corporate sector and the national and regional press. As a result, the Round Table proceedings received ample coverage in the media.

The eight papers presented in the Workshop were selected through a careful refereeing process by the program committee. (The table below summarized the papers presented.) A total of 39 papers were submitted. The program committee was composed by **Guillermo Calvo, Robert Devlin, Sebastián Edwards, Ricardo Hausmann, Ernesto Stein and Ernesto Talvi.**

The quality of the papers presented, the productive exchange of ideas as well as the feedback received from Workshop participants suggests that the goals of the Workshop were fully achieved. In this sense, the organizing committee feels that the RIN has replicated the success of other LACEA Networks (the International Finance Camps, the Network on Poverty and Inequality and the Political Economy Network). Furthermore, the committee is confident that the group assembled for this first Workshop will start a very fruitful exchange and become active in the public policy debate on RIAs.

Having said this, the organizers feel there is ample room for improvement. In the first place, there is an interesting proposal by the IADB and Harvard University suggesting a regional conference on “*FTAA and beyond: Prospects for Integration in the Americas*” and have suggested organizing this conference back to back with the RIN’s 2002 Workshop in Punta del Este. This will greatly enhance the ability to attract high quality researchers to participate in this year’s RIN Workshop. Furthermore, the organizers expect the geographical diversity of the Workshop to increase substantially in 2002. The events of September 11, forced the organizers to postpone the date of the Workshop, which was originally planned for October 15-16, 2001, back to back with LACEA 2001 Annual Meetings. The postponement prevented many participants that had originally planned to attend the Workshop from participating, specifically those that were coming from more distant countries.

In summary, when everything is taken into account, the organizers of the first workshop of the RIN are highly satisfied with what has been accomplished.

| Title | Author | Gender | Institutional affiliation | Country |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------|----------------------------------------|-----------------------------|
| On the Economic Determinants of Free Trade Agreements | Jeffrey Bergstrand | M | University of Notre Dame | United States |
| Exclusions for Sale: Evidence on the Grossman-Helpman Model of Free Trade Agreements | Pablo Sanguinetti | M | Universidad Torcuato Di Tella | Argentina |
| Limiting Currency volatility to Stimulate Goods Market Integration: A Price Based Approach | Shang-Jin Wei | M | The Brookings Institution | United States |
| EU Institutions and Fiscal Policy Coordination, 1991-2001 | Mark Hallerbery | M | University of Pittsburgh | United States |
| Beyond Mercosur: Costs and Benefits of Trade Agreements with Northern Blocs | Gabriel Sanchez | F | IERAL, Fundacion Mediterranea | Argentina |
| Courting FDI: Is Competition Bad? | Eduardo Fernandez-Arias | M | IADB | United States |
| Regional Integration and the Location of FDI | Ernesto Stein (with Christian Daude and Eduardo Levy-Yeyati) | M | IADB and Universidad Torcuato Di Tella | United States and Argentina |

V. Detailed Allocation of Sub-grants

| Institution | Purpose | Tranche 1 | Tranche 2 | Subtotals |
|---------------------------------------------------------------------------|--------------------------------------|------------------|------------------|------------------|
| Universidad de la Republica, Montevideo, Uruguay | Network on Inequality and Poverty | \$50,000 | \$28,000 | \$78,000 |
| Grupo de Analisis Para El Desarrollo (GRADE) | Network on Political Economy | \$25,000 | 0 | \$25,000 |
| Fundacion Economia Y Administracion de la Pontificia Universidad Catolica | Winter Camp in International Finance | \$30,000 | | \$30,000 |
| Univ. Torcuato Di Tella | Summer Camp in International Finance | \$30,000 | | \$30,000 |
| PUC-Rio Departamento de Economia | LACEA 2000 Annual Meeting | \$32,000 | \$30,000 | \$62,000 |
| CERES | Regional Integration Network | \$45,000 | | \$45,000 |
| Kennedy School of Government and Brookings Institution Press | Journal <i>Economia</i> -content | \$20,000 | | \$20,000 |
| | Journal <i>Economia</i> -production | \$45,000 | | \$45,000 |
| Subtotals | | \$277,000 | \$58,000 | \$335,000 |
| Overhead (15%) | | | | \$60,000 |
| Buffer | | | | \$ 5,000 |
| Total | | | | \$400,000 |
| | | | | |

VI. Appendices

A. LACEA 2000 Annual Meeting
(Conference Program and Listing of Presenters and papers on CD Rom and Financial Report)

B. Network on Political Economy
(Full Report)

C. Network on Inequality and Poverty
(Full Report)

D. Winter Camp in International Finance
(Financial Report)

E. Summer Camp in International Finance
(Full Report)

F. LACEA's journal *Economia*
(Full Report)

G. Regional Integration Network
(Full Report plus call for papers, program and press clippings)