Latin America: Outlook and Challenges Ahead

Panel Discussion

Carmen M. Reinhart, Rodrigo Valdés, and Julio Velarde

Lima, Peru

Sunday, October 11, 2015

Per Jacobsson Foundation

The Per Jacobsson Lecture

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2015

ISSN 0252-3108

Editor: Michael Harrup
Cover Design and Production: IMF Multimedia Services
Composition: Apex CoVantage

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Foreword

The 2015 Per Jacobsson Lecture—a panel discussion, “Latin America: Outlook and Challenges Ahead”—was held on Sunday, October 11, in the Lima Convention Center’s Pachacamac Room in Lima, Peru, in the context of the Annual Meetings of the International Monetary Fund and the World Bank. The panelists were Carmen M. Reinhart, Minos A. Zombanakis Professor of the International Financial System at Harvard University’s John F. Kennedy School of Government; Rodrigo Valdés, Finance Minister of Chile; and Julio Velarde, Governor of the Central Reserve Bank of Peru. The discussion was moderated by Guillermo Ortiz, Chairman of the Board of Directors of the Foundation.

The Per Jacobsson Foundation was established in 1964 to commemorate the work of Per Jacobsson (1894–1963) as a statesman in international monetary affairs. Per Jacobsson was the third Managing Director of the International Monetary Fund (1956–63) and had earlier served as the Economic Adviser of the Bank for International Settlements (1931–56). Per Jacobsson Foundation lectures and contributions to symposia are expressions of personal views and intended to be substantial contributions to the field in which Per Jacobsson worked. They are distributed free of charge by the Foundation. Further information about the Foundation may be obtained from the Secretary of the Foundation or may be found on the Foundation’s website (www.perjacobsson.org).

Opening Remarks

GUILLERMO ORTIZ

Let me welcome you all to this Per Jacobsson panel. This is the last of the IMF-sponsored events in this very fruitful week. We just had a board meeting of the Foundation, and the Vice Chairman of the Foundation and the First Deputy Managing Director of the IMF, David Lipton, gave us a reflection. I had asked him a question: How do you feel leaving the meetings as opposed to when you had just come into the meetings? And he said, well, the IMF put out all these documents prior to the meeting. We were told that day that we were a little bit pessimistic, that we were a little bit somber. But then, he said, last night they went to a panel sponsored by Citi, and Willem Buiter, who is, as you know, the chief economist for Citi, said that the IMF had been extremely optimistic. So he leaves it somewhere in between, and that's a good place to be.

But before we begin, let me thank Julio Velarde for being such a great and gracious host who also has agreed to be on the panel today. So thank you very much, Julio. We appreciate this very much.

Let me also acknowledge the participation, presence, and energy of Kate Langdon, who is the Vice President of the Foundation and also a Deputy Director in the Communications Department at the IMF. So thank you for everything, Kate.

We are going to talk about Latin America and, well, this is not the best of times for Latin America, but it's also not the worst of times. As we were recalling in the previous meeting, Latin America in the 1980s was worried about very different things. In the 1970s and 1980s, we were worried about hyperinflation. We were worried about democracy, the existence of military regimes.

And Latin America undoubtedly has come a long way from those years. But it's not the best of times either. You have all read the IMF report, so I'm not going to try to put this in context except to mention a few things. Obviously during the boom years, Latin America was able to strengthen its macro framework, its monetary exchange rate policy framework, to build up cushions in the form of international reserves—fiscal cushions.

And the (sort of) flexible exchange rate regime really consolidated in most Latin American countries in the early part of the century. Obviously, terms of trade were a very powerful force in allowing Latin American countries to improve their macro stance, but obviously, the tide has turned, and we have several headwinds. One, of course, is China, because of the China slowdown and the impact of commodity prices.

The other one is financial turmoil related to the uncertainty regarding monetary policy, timing, and strength of normalization of the Fed, on the one hand, and very loose monetary policy in other parts of the world, in Europe and Japan. So this kind of differentiation is a source of uncertainty, of course.

And then, you have specific issues in each one of the countries apart from these general trends. So let me begin, Carmen, by—oh, I'm sorry, I forgot to introduce the speakers. They need no introduction!

We have Carmen Reinhart, who is currently a chaired professor at the Kennedy School of Harvard after a long, very distinguished academic career. Rodrigo Valdés, who is the Minister of Finance of Chile. I will not go into his curriculum because it's all in the papers that you have.

And Julio, our host, thank you very much for participating in the panel.

Latin America: Outlook and Challenges Ahead

CARMEN M. REINHART, RODRIGO VALDÉS,
AND JULIO VELARDE

GUILLERMO ORTIZ: So let me begin with you, Carmen. In your very distinguished academic career, you have focused on several subjects, but you have been really a student, an analyzer of Latin American economics and politics, and you are an expert on financial crises.

And unfortunately, the intersection between financial crises and Latin America is larger than we would like it to be. So can you set the frame for this discussion, Carmen, giving a little historical perspective and seeing where we are today in Latin America?

CARMEN REINHART: Well, I am first of all delighted to be here. I want to thank the hosts and Guillermo for inviting me to this distinguished panel. So I'm going to start by doing something that one shouldn't do in a panel, which is, I'm going to agree with you that Latin America has come a long way.

So in the historical context, we have had, really, a very rare decade of prosperity. The fact that if you go to the 1990s you see a succession of major crises, minicrises; if you go to the 1980s, it's even worse. So the last decade was unusually calm. I think we shouldn't extrapolate.

I think that the Latin American situation has importantly and historically been influenced by external factors. This goes back to the work that I did in the early 1990s with Guillermo Calvo and Leo Leiderman. Interest rate developments in the United States, commodity prices, and just global liquidity have always had a big impact on the region.

And let me say—let me deliver the good news first, okay? The good news is that if you compare—we are at a vulnerable position today. We all know this from just being attuned to what is happening: the commodity situation, uncertainty, the slowdown in China, and so on. But to put things in perspective, it wasn't just Latin America that had an inflation problem earlier on.

If you go back to October 1979, when Paul Volcker tightened, the United States was facing around 14 percent inflation, and advanced economies were also facing a very high-inflation environment. I'm bringing this up because there are often parallels between—well, is the cycle, in terms of interest rates, global interest rates, going to be something that'll be a major shock?

And my inclination is to believe not. The interest rate shock, to me, is right now less worrisome than the commodities shock, and let me just say one more word on that. Because the advanced economies collectively are facing low inflation or even deflation, subpar growth, high levels of public and private indebtedness, I don't think we are in for a major interest rate hike, certainly not when compared to what we saw in the late 1970s, early 1980s.

What I think is most worrisome for Latin America, I would say, is that I think the downturn in commodity prices is likely to be persistent—and persistent in a way that may be exacerbated by the fact that most Latin American countries in varying degrees are in a position in which they're trying to avoid current account deficits. And one of the things you try to do is you try to export more.

But in so doing, commodity supplies also contribute to the global weakness, and this is something we saw in the 1980s, which was when the United States recovered very sharply out of the 1982 recession. I think we have plenty of time also to talk about domestic factors.

GUILLERMO ORTIZ: Of course. During a conversation yesterday you mentioned that Latin America has traditionally treated positive shocks as permanent and negative shocks as transitory.

CARMEN REINHART: Yes.

GUILLERMO ORTIZ: You feel that way?

CARMEN REINHART: The commodity bonanza and the capital flow bonanza, I would say, had two stages. In the early stage I think there was general caution and reserve buildup and more fiscal restraint. As the commodity boom persisted, both of those tendencies tended to erode, and the response to the 2008 crisis—which was supposedly temporary fiscal stimulus—a lot of that stimulus ended up being more permanent than temporary.

GUILLERMO ORTIZ: Right. Rodrigo, Chile was the first country in Latin America to really implement structural reforms, and it's the only country, I think, in Latin America—perhaps with the exception of Panama recently—that has been able to persistently close the gap, the gap in per capita income between the United States and Chile, specifically.

If you look at Latin America in general, in the 1950s, 1960s, and 1970s, economic growth was about twice as high as in the United States, more or less, so Latin America was able to close the differential in per capita income. And since the Lost Decade of the 1980s, that kind of has stalled for the majority of countries, except a few.

So how do you explain this, Rodrigo—just to give a little historical context here? Carmen mentioned that in relation to the external shocks facing Latin America, the terms-of-trade shock, the commodities shock is perhaps more important, more relevant than the financial, but there is a third set of circumstances which are sort of specific to different countries and have determined low productivity, which also explains the lack of closing the gap with the United States.

So what are your views on these issues, Rodrigo?

RODRIGO VALDÉS: Well, first, thank you for the invitation to participate in this panel. Let me say that I'm impressed with the organization, Julio. Fifteen years ago, we probably didn't have countries in Latin America able to organize the Annual Meetings in South America, and Peru has shown amazingly good organizational skills.

And by the way, Peru is also one of the countries that has had an impressive catch-up with the developed world in the last 10 years. It probably is the highest-growth country in the region for the last—

GUILLERMO ORTIZ: Over the past 25 years.

RODRIGO VALDÉS: Yes. Let me also say that I'm leaving the meetings this time not as David Lipton, but slightly less worried than I came into the meetings. Yesterday, I saw Nouriel Roubini, and I thought Roubini would say that Armageddon is coming, and he didn't. So I was very pleased to see (sort of) more mixed views on China.

Having said that, I have to say that, clearly, the terms-of-trade shock is the key issue for South America. (It's not clear for Latin America, and I would really separate South America from the rest. Mexico didn't have true positive terms of trade in the last 10 years, but South America had an immense terms of trade.)

And different countries do different things with this shock, and today you cannot treat all countries the same because they are very differently prepared. In a few other meetings I have mentioned that the way you manage good times really determines your ability to manage bad times. And this, I think, will again be the case.

Again, this time, at least, it's not us, as you mentioned for the Lima crisis, Guillermo. I remember very well a meeting where you told developed countries' authorities, this time it's not us. This time again, we can say it's not South America.

Anyway, going more to how to deal with this issue and what's going on: one critical thing from a policy perspective is to be realistic, I think. Be realistic. This is a bad negative shock. So the counterfactual of actions is very important. You have to be very clear that you cannot grow as you were growing before. You have to be very clear politically that regarding the space to maneuver, you can have some, but it will not be that immense.

The key for me is not to exacerbate the shock, and if you overdo it, you will exacerbate it. And some countries will have the space to attenuate the shock, the effect of the shock. And then, a few countries—Peru, Chile are in that group—but it's very important to be realistic about what can be done.

In terms of what should be done, I think the textbook recipe here is very obvious. Although, before that, I have to say that even Chile, which has a long tradition of a fiscal rule, at the end got used to the shock. It lasted so long: it started in 2003; the peak of copper prices was 2011.

We went through Lima with two quarters only of a drop and a rebound in all commodity prices. So for good reason, the signal extraction process of the private sector, of analysts, was that, You know what? This shock could be forever. So some countries saved quite a bit in between, but at the end, the reallocation of resources that happened in the region towards nontradables—because you were financing a big party with the income from commodities—the immense investment in the resource industry of each country, oil in Colombia, copper in Chile, other industries in Peru, was immense, too.

And right now you have to go through a long process of reallocation back to different industries, and that's a long process. It's a painful process. We know that you need rapid price changes. Thank God we have floating. That took care of half of the job, but there's a long way to go.

And for that to happen, you need tight fiscal and relatively loose monetary policy; that is the standard recipe. And you have to try to implement as best you can.

We have learned a lot, but we also don't know too much, and one of the things that we have to be clear on, again, is reality. We should not offer what we cannot deliver. This will be a low-growth period. The key is not to exacerbate problems, and I think I'm convinced that a few countries will be able to start growing relatively soon. Of course, we depend on China too, but in the baseline, I think we are more or less close to the bottom in commodity prices, and if that's the case, a good chunk of the adjustment is made to grow back, and we can go back to productivity and brand issues.

But the first part is to reallocate. You have to move people, capital, financing from nontradable activities, which expanded a lot, to tradables, to import-competing industries, to some other exports. We have done it in the past. I'm sure we can do it again.

GUILLERMO ORTIZ: Thank you. Julio, as Rodrigo was saying, Peru is a great success story, and if I'm not mistaken, Peru has quadrupled GDP, real GDP, over the past 25 years, more or less. And Rodrigo was saying that an important determinant of how you cope with bad times is what you do during good times. So what do you do, Julio? There is a presidential debate going on now in Peru, and I have heard some comments from some of the candidates that mention that Peru has been overly conservative in the use of fiscal policy, that you have margins of maneuvering. You have conducted yourself in terms of monetary policy in a very prudent way. So perhaps you can begin by telling us a little bit about how Peru is coping with this, just in particular.

And then, a broader question would be, China has been at the center of these meetings, and obviously the slowdown in China is something that's happening; the big question is how much farther is that slowing down going to go, when is it going to stabilize, what is the impact of that on commodity prices?

We heard from the Deputy Governor of the Bank of China that contrary to what everybody believes, actually the demand for commodities on the part of China has mostly increased this year with respect to last year, and in only a few cases, it has remained stable, but it hasn't fallen. Yet commodity prices are down sharply, of course, from the peaks.

Now if you take a 30-year history or 40-year history of commodities, we are still above the median. So first the Peruvian question, and then, how do you see this China commodity issue playing out?

JULIO VELARDE: I would say in three parts. First, the problem with commodity prices is that they have been falling for a long period. In our case, we have had four years of continued deterioration in the terms of trade. Usually you think that this is going to be a process of one, two years; it's going to be prolonged, and as Rodrigo said, it probably will last a long time. It's very difficult to know what the price of copper, whatever, will be in the next two years. But seeing the numbers of China we are talking about, the imports of copper he mentioned were at 8 to 10 percent. Now China's consumption of copper has increased from 40 percent of the world total to 47 percent in the first part of this year.

So there is some relevance. I believe the story of copper (and many metals) is part of what Carmen was saying. With those prices, copper production has been increasing. In our case, for example, we're expecting to increase copper production 95 percent in the next four years. It's private production. It's not the state. So that firms are trying—with these prices, it's still profitable to obtain copper in many cases, not in others.

As you might know from the financial press, Glencore, for example, has been closing production in Zambia and the Democratic Republic of the Congo, taking 400,000 metric tons out of the market. But in our case, the cash cost is still around 40 percent of the price last week of copper.

What did we do? First, Carmen mentioned that article with Leiderman and Calvo, and that article was saying, use the good times so as not to allow your currency to appreciate so much, and have good reserves. Actually we worked on the level of the reserves, and we intervened so as not to allow the currency to appreciate so much. Of course, we still realize that.

In the last year of appreciation for our currency, 2012, we bought a little less than 14 billion, which is big for the size of our economy. And we were fortunate enough to save, in part, because the government was unable to spend sufficiently fast. But we saved a good amount of the higher taxes of that period. The fiscal surplus on average was close to 2 percent from 2006 up to last year. So because of that, Chile and Peru have probably the ability to have countercyclical fiscal policies now.

So that is a part of the story. Probably we're more cautious in appreciation, in commercial reserves. And in truth, for example, in 1998, almost one-third of the banks—the smaller banks, it's true—failed because they were very dependent on short-term liabilities from abroad.

We drew up reserve requirements for those short-term liabilities so as to reduce the exposure of banks to the short-term liabilities. And now, for example, the short-term liabilities of the banking system are less than 1 percent of GDP.

But it's trying to be prudent. In the good times, try to do what you should do so as to have margin in the bad times. The problem is, we don't know how long these bad times will last. And that is the open question that is a challenge for policymakers.

I am a little more optimistic after this meeting. Naturally I was with Rodrigo when we heard Roubini. Actually for Roubini, the American economy should merit a hike. He was Dr. Doom, so he is now more optimistic, for example.

But also about China, also the story of many of the bankers. Some of the bankers probably are here, but they believe that there is a slowdown. The numbers might be a little bit lower, but they're still pretty interesting.

And while there is still the possibility of a recession, of course, maybe the most probable scenario is one of growth, albeit slower growth for China, but not so markedly different than what even the IMF is projecting. The IMF is projecting [GDP growth in China of] 6.8 [percent] this year, 6.3 next year, you know.

So I have finished more optimistic than the IMF, current policymakers, and many of the current bankers who are involved in China.

GUILLERMO ORTIZ: Thank you, Julio.

JULIO VELARDE: Sure.

GUILLERMO ORTIZ: Well, Carmen, you being the only academic on the panel, I will ask you some of the questions that the other panelists may want to comment on, but they have to be more politically correct than you do. So perhaps you can tell us your views on Brazil, Argentina, and Venezuela?

CARMEN REINHART: Bad, worse, and worst. But—

GUILLERMO ORTIZ: That's the order of the question.

CARMEN REINHART: So let me start with the situation in Brazil, which is—so much of it is internal politics as well as economic issues and—

GUILLERMO ORTIZ: I'm going to ask the other panelists to comment on your comments, too.

CARMEN REINHART: I think the risks, you know, we've been talking so far more in general terms, but I think I am quite worried about the situation in Brazil. I mean, the economic situation alone is one of the aftermath of a bonanza. This is also work that Vincent [Reinhart] and I have done in which Brazil has a lot of the vulnerabilities associated with the end of a capital flow bonanza that had an overvaluation issue, that had an internal asset boom, that had an internal credit boom—the standard.

I'd been talking about downgrades well before the downgrades happened. And I'm going to take a small detour just to mention that what happens in Brazil is very important also for Latin America because we have dismissed in the last decade the word contagion, which Rodrigo wrote quite a bit about also in his more academic past.

When we've talked about contagion in the last decade, we've generally been talking about contagion in Europe, Greece, and so on. I think I am concerned about the interaction of a bad state in the cycle with the internal politics, with the corruption, and with the integration of all these things that has ended with a downgrade that leaves Brazil very vulnerable to the investment-grade question, which I think casts a big shadow over the region as a whole.

So I want to put the word "contagion" on the table. On Argentina and Venezuela very quickly, Venezuela is in a league of its own right now. It really is very much in the worst of the 1970s and 1980s combined. We're really talking about—

GUILLERMO ORTIZ: Just an anecdote. You know, Venezuela is the only Latin American country (I don't know about Haiti), but in Venezuela per capita income today is less than it was in 1960, in real terms, just to give color to this, but go ahead, please.

CARMEN REINHART: And so Venezuela really is very much a throwback to that darker era that we were talking about earlier with the risk of hyperinflation, with very complete disarray. I think we cannot leave out the implications also of Venezuela for the region. It is not the systemic impact of a Brazil, but still you take Colombia—Colombia is a big trading partner of Venezuela. The Colombian peso has depreciated. You would think that exports would have done better, but it has a trading partner that is in trouble.

One second on Argentina. I think in regard to Argentina, the expectation that any election outcome would reestablish access to credit markets, international capital markets, and that that would be enough is worrisome. I don't think it's enough. And I'll leave it there.

GUILLERMO ORTIZ: So Carmen has put the word "contagion" on the table. What are your reactions, Rodrigo?

RODRIGO VALDÉS: Well contagion matters, and Brazil matters for the region. And therefore we should care about what's going on in other countries in the region. But let me start with—

GUILLERMO ORTIZ: But this is not only financial contagion, you know.

RODRIGO VALDÉS: Yes, it's—

GUILLERMO ORTIZ: This has many dimensions, you know.

RODRIGO VALDÉS: I mean, in an interview a few days ago with a newspaper I told the story that many analysts stop in Santiago to see the country after they come to Brazil. So if they don't come to Brazil, probably they won't come to Santiago.

Anyway, more seriously, let me give a half-full-glass comment. Carmen wrote a very influential paper about 20 years ago about the twin crises, the balance of payments crisis—

CARMEN REINHART: I was 12 at the time.

RODRIGO VALDÉS: You look the same. You look exactly the same. The thing is that they came together with banking crises very often. And if I remember correctly one of the ways to identify BOP [balance of payments] crises was with the pressure in the FX [foreign exchange] market, a big depreciation would pop up in those databases as a balance of payments problem.

And it's true this time around because of the terms-of-trade shock, because of many other things in the world economy, particularly the Fed sort of signaling that the easy money is over, we have had quite a bit of depreciation in the region, and very little has happened at the corporate level and at the banking level.

So we have passed a big test, and that's very good news for the region. Even in the Lehman crisis there was a lot of noise, and not to mention what happened in 1982 and what happened with the Asian crisis, and those depreciations and the fear of the authorities have led the exchange rate to move because of this. So—and this is valid for almost all countries in the region—that we have had quite a bit of rate-depressed changes without this very dangerous loop through corporate.

I mean, it could happen. We have to be vigilant. I don't want to sound like there is no problem there. But the depreciations have been quite important.

Second comment, and it's not that I want to defend Brazil, okay? They have big, big challenges. But let me give you one piece of data that is very impressive. If I look at the most important countries of South America and take as a measure of how much they saved fiscally in the last 10 years with the boom, we can just look at net debt, net public debt. And net public debt in Brazil declined a bit less than 10 percentage points of GDP.

GUILLERMO ORTIZ: What?

RODRIGO VALDÉS: Ten percentage points of GDP down. That's the country in the region that had the second-biggest decline. The biggest was Peru, with almost 20 percentage points of GDP of net debt. Other countries increased net debt quite substantially during the boom times.

So it's true that Brazil has flow challenges that are very large, but at least in the stock view of Brazil, I think the challenges are much more manageable than in the past, and I hope that they can manage that about that way.

Final comment: this has to do with the countries that have the biggest challenges now, and here I would just like to say that for contagion you need big action, and when countries are basically without financial integration, the extent of disequilibrium that you can build is much smaller.

So I think I'm less worried about the least-integrated countries, which have problems, true problems, to fix. But still, because they were not in the markets, my sense is that the contagion effects could be more contained this time.

GUILLERMO ORTIZ: Julio?

JULIO VELARDE: The same comments—that financial integration, intrusive volatility, particularly to growth—so financially integrated economies have benefited because of the access to more capital. Of course, it causes problems also but it's a net benefit.

Just some quick comments. We're talking about Venezuela in the 1960s and we're going to talk about Venezuela specifically, but very few countries had a credit rating in the 1960s. Venezuela was the only Latin American one, and the credit rating was something like A-plus or maybe A-minus. So actually it was very well rated in the 1960s by the credit-rating agencies.

I would say that for countries that did not have flexible exchange rates—probably one of the good aspects since the 1990s in many countries, 1990 Peru, 1998 Chile, has been flexible exchange rates, which have diminished a lot of the pressure that we had before with exchange rate crises. Some countries, when they applied countercyclical fiscal policies in 2008, 2009, they did public investment. And when the economy recovered, they regained fiscal stability—in our case, for example, we returned to fiscal surpluses. Other countries—one of them is pretty big but let's look at Costa Rica, for example—they increased wages, that's the countercyclical fiscal policy. Afterwards they couldn't return to a better fiscal condition.

So how you make your countercyclical fiscal policy is pretty important so as to manage the future.

GUILLERMO ORTIZ: Well, let's for a moment take the positive view of contagion, which I would say, the opposite is integration. And economic integration in Latin America has been a dream, no more than that, you know, since Bolivarian times.

Trade flows in Latin America have been stagnant, at less than 20 percent of total trade, for a long time. This is a lot less than half of what Asia has accomplished. So here we have Rodrigo and Julio, who together with Colombia and Mexico, Chile and Peru, have formed this Pacific Alliance. Can you tell us whether this effort, this new effort at integration, has already taken some concrete steps, like the elimination of visas, the elimination of tariffs between our countries, and so on?

Do you see a future in that? I mean, something that can really trigger greater integration in Latin America? Then I want to hear Carmen on this issue, too.

RODRIGO VALDÉS: It's true that integration in the region has been challenging—the experience of MERCOSUR for example, I think in terms of integration, has not been what the founders thought it could be. But again, having sort of a half-full view of the glass, let me give you a couple of things that are happening and are important.

In the Pacific Alliance, there's quite a bit of effort in terms of financial integration, and recently we completed all the regulations so that IPOs [initial public offerings] in any of the four countries are valid for investors in the other countries. The stock markets are connected. We are making progress in having, in the four countries, the same template for double-taxation treaties, so that everybody has double-taxation treaties with the rest, but it's not the same one, et cetera. There are many things.

But beyond the Pacific Alliance—and this is, I think, my main message—I wouldn't expect a lot of trade integration because we are countries that are very similar at the end of the day. So it's not a matter of tariffs, what precludes more trade between say Peru and Chile.

GUILLERMO ORTIZ: It's what to trade.

RODRIGO VALDÉS: Because we produce, I mean, they have good pisco, we have less good pisco. But let me give you what's going on and what I think is truly amazing, and it's happening under the surface big time. FDI [foreign direct investment] cross-ownership in the region is amazing.

Retail: Chilean retailers are very efficient. So we have pharmacies in Brazil with Chileans, the Chilean chain. Retail in Peru is Chilean.

There are banks in Santiago that are Peruvian investment banks. Colombians are very good in insurance, and they have insurance companies in all the region.

So there is something happening that goes well beyond trade integration, and that is financial integration—and a very real one in terms of who does what in terms of production. And I think it's very efficient. You could integrate production change later on, but at least you will have the most efficient sort of chain in an industry that will be dominated by the most efficient country in that chain.

And that will give us all a lot of productivity gains. And the final point is this incipient labor mobility. We are having demand for pension system benefits that are easy to bring to another country because we have people moving and working in other countries. So I think more is happening than just trade, and that's encouraging.

GUILLERMO ORTIZ: Julio?

JULIO VELARDE: What is of interest in the Pacific Alliance is because it's not geographical. They are four countries that have more or less similar policies at least on the market side. And the idea is not a close integration.

The idea is to integrate our economies at the end—economies that are open to trade, open to capital, et cetera, and good macro policy of course. The second point, I believe, is these four countries, because they have better macro fundamentals, are pretty good—so as to distinguish these four countries from the rest of the region and their problems. Sort of branding, let us say.

And further, just to finish Rodrigo's point, it takes time. A trade integration has actually few years as an efficient way. So we will have at the end probably something similar happening with FDI [foreign direct investment], where some for instance specialize in one item, others in another. And really it's a process, and we should accept that the process takes time. We will have probably a day, and Chileans more specialized in the production of this item, Peruvians in the other, et cetera.

GUILLERMO ORTIZ: Carmen, you have a view on this?

CARMEN REINHART: I think that there's two issues that I'd like to raise in connection with integration. One is the issue, which is more of a note for caution, which has to do with policy reversals. Integration often is more likely to happen during good times and retrenchment and looking inward during bad times.

And Latin America has a long history with this stop-and-go. Guillermo, correct me if I'm wrong, but one of the many things that distinguished also I think the success of Mexico overcoming the peso crisis of 1994–95 from the—

GUILLERMO ORTIZ: NAFTA.

CARMEN REINHART: —early 1980s was the fact that reversals did not happen in one where they were quite acute in the other. So I think in times of common economic downturns, reversals are a thing to watch.

The other part of integration that I'd like to—let me just summarize. I don't think—I could be wrong—but I don't think that it is likely to move forward in the immediate future. That is, more aggressive regional integration even at the global level. I think we're not at that phase.

The other issue actually goes back also to something Rodrigo said. Latin American integration happened on a grand scale, I would say, in the last decade with China. That is one dimension in which to some degree we can quantify much better the trade side. That is, we know how much trade flows changed with China, but also quite a bit of financial integration occurred with China. That is the financing side, and that is very poorly documented.

And I would also like to raise that as an issue of potential vulnerability right now, because even as in a scenario where China's slowdown is of a moderate, nonalarming nature, I think there's a reorientation from investment to consumption, which also has implications for commodities. And in that context, I think China's interest in continuing to finance the kind of projects it was financing—not so much in Mexico, but in many other Latin American countries and even Caribbean countries—I don't think that will be there.

So I think there is an element of a common lender pulling back. This is, I think, Rodrigo's source of contagion, that perhaps we are right now underestimating for the region.

GUILLERMO ORTIZ: Perhaps one last question before we open to the public. I was reading the other day this poll in

Latinobarómetro, which is a continental poll that has been in existence for over 30 years. And a noticeable thing in this version of the Latinobarómetro poll was that for the first time—and this is particularly relevant given the context, the economic context, of the region, and the headwinds we are facing—but the people who were polled, the main worry was corruption in the region. And if one thinks about the sort of structural reforms that we all know need to be done in Latin America to restore growth and sustainability and so on, one of the most important ones, of course, is the rule of law and the strengthening of institutions.

Some countries are more advanced than others, but this was a very striking result that there is a deep dissatisfaction in Latin America about political parties, about the political system, about democracy. Is this something that worries you, or do you agree that the issue of rule of law, corruption, and so on is at the top of the list? Carmen?

CARMEN REINHART: I think when it comes to the financial industry and beyond, booms also foster—or a lot of the issues of corruption come into light when there's a banking crisis, for example, or when there are bankruptcies. Then is when you learn ex post that a lot of corruption had—I think that we've seen, as I've noted earlier and is well known (the issues in Brazil and so on), on the whole, Latin America did better during this boom on the corruption front, so far, at least it would appear, than, for example, if you go back to the era of administered exchange rates, and multiple exchange rate practices, and a lot of the things that were very intrinsically associated with corruption in the region. I think notwithstanding a lot of the headlines, I think on the whole, but—

GUILLERMO ORTIZ: Rodrigo, what do you think?

RODRIGO VALDÉS: Well, I think it's a very important discussion. At the end, good markets and good democracy are the baseline for what we need, and it is doubtful that one will work without the other. So I think in this age of Twitter we have to be very careful on how to regulate and how to organize this.

In fact, we had some very damaging illegal political finance in Chile in the last year and a half, and it has been very complicated to digest this in terms of the lost legitimacy of the system. Fortunately, the country reacted, and there are a bunch of new laws that are being discussed and probably soon enacted to contain this. But it's a big issue because of the rules of the game: if they are not seen as fair, we are in trouble.

We have a very empowered middle class after this boom which understands, and the rules of the game have to be very clear. I wouldn't feel that South America has a deep corruption problem, or worse than before, but the political organization—that campaigns have to be well financed, well regulated, with clear Chinese walls with respect to the private sector, for example, are themes that are very important to—

GUILLERMO ORTIZ: It seems that corruption related to political contributions is pretty pervasive.

RODRIGO VALDÉS: Europe went through that years ago. It's an issue of modern countries, I would say, and we have to learn a lot about how to regulate this better. But it's a big issue because once you lose faith in the system, as just a person, then the detachment that this produces is very important for taxes, for paying on the bus, for everything. So keeping rules and keeping transparency here is very important.

Chile returned to democracy in 1990. You can imagine the popularity of the army at the time after the dictatorship and the popularity of Congress. But in the last 30 years it happened that the popularity of Congress went from whatever very high number to 6 percent right now, the approval rating. And the army is going to their ways.

Not that people do not want democracy, but because when you are asked whether you trust, for example, your own parliamentarian you will say yes. But Parliament as a group is something that people distrust deeply. The same happened with the Church, the same happened with entrepreneurs, so there's a big disconnection right now that we have to work on.

GUILLERMO ORTIZ: Julio, any thoughts?

JULIO VELARDE: You cannot have a market economy without the rule of law, of course. The good point I would say is that you are seeing in Latin America more and more demonstrations because of the increase in middle classes demanding an end to corruption. Guatemala is one case; even the demonstrations in Brazil are a case in point.

The point of corruption in the public sector is that it makes public investment inefficient. Many projects are made not because they are efficient, but because many times there is corruption there. Of course, that's a burden.

GUILLERMO ORTIZ: Thank you. So why don't we open for questions from the public. We have around 15 minutes, so we can take a few questions.

Questions and Answers

Following the discussion, the panel took questions from the audience.

QUESTIONER: I have a question with regards to Mexico. My question is with regards to the attitude of the normal citizen with regards to the political parties. If we take the case of Mexico just several months ago, for the first time in the history of Mexico, an independent candidate won as governor. And in general, my question is, Are the Latin Americans now getting fed up with their parties, or is there going to be a move in this direction?

GUILLERMO ORTIZ: Well, I'm not a participant. I'm the moderator, but I will answer your question. I think that the fact that an independent candidate won the election for governor of one of the largest states and the most industrial states in Mexico, in Nuevo León, is a sign of the dissatisfaction with political parties.

And not only did this happen in Nuevo León, but also the mayor of Guadalajara ran as an independent and won. And this has positive and not-so-positive aspects. It has positive aspects because it shows that you don't have to be an insider in the political system or belong to a party to be elected to office. That's good.

On the other hand, the bad part of it is fragmentation, and the political parties in Mexico are fragmenting. For example, the left, the Partido de la Revolución Democrática (PRD, Party of the Democratic Revolution), has been divided between [Andrés Manuel] López Obrador and MORENA [the Movimiento Regeneración Nacional, or National Regeneration Movement] and the rest of the PRD. So in the next presidential election it may very well happen that since we don't have a second round, and the second round has been taboo for the Partido Revolucionario Institucional (PRI, Institutional Revolutionary Party) because it's clearly not in the interests of the PRI to have a second round. You have the case of a candidate being elected with 20 percent of the votes or 25 percent of the votes.

So that is the drawback on this issue of independent candidates, but it will be seen whether history validates that the positives outweigh the negatives.

QUESTIONER: What is your opinion about the Peruvian economy? Is our economy solid, or are we still vulnerable? And what do we have to do?

CARMEN REINHART: I think the vulnerability issues we've been discussing, the issue of commodity prices, the issue of uncertainty about global factors, very much affect Peru. So to your question of is Peru vulnerable? Yes it is. It is also, I think, vulnerable to other factors that occur in the region.

I had noted earlier the issue of contagion. I do think, however, that the management of the bonanza years in Peru has left it in very good standing in a very difficult environment. But the big open question, on which I very much agree with Mr. Valdés, is, How long will it last? How long will the downturn last? The longer it lasts, obviously, the more the resources are strained.

GUILLERMO ORTIZ: Rodrigo?

RODRIGO VALDÉS: Let me add one wrinkle to this: that I think all countries have some level of vulnerability in the sense that external shocks affect them. And we cannot do much from South America to avoid what happens in China and shocks.

The key is whether you compound those shocks or you contain them or what is the reaction. And like a person with high blood pressure, with high cholesterol, you are taking more risks. What many countries in Latin America have learned to do is that you have to control your blood pressure, your cholesterol. You have to be in shape.

And therefore, it's not that you are not vulnerable, but you are much less vulnerable than in the case in which you don't treat yourself correctly. And we have learned a lot from bad past experience, and many countries have improved a lot.

QUESTIONER: Do you agree that—I think, except for the Bolivarian countries in the region—do you think that the institutional framework is there for the countries to survive the problems that they are facing? For instance, in the case in Brazil, do you see the institutions working or not?

And with that framework, the institutional framework, working, do you believe that some credit should be given to the country or to the other countries in the region that are facing similar problems?

GUILLERMO ORTIZ: Carmen?

CARMEN REINHART: I think in terms of credit, on the whole if you look at the long history, meaning the last 200 years of Latin American history, commodity bonanzas and capital flow bonanzas have been an invitation for disaster, importantly because they've been mismanaged. And I think this time around, with all the problems notwithstanding, management of the boom has been much better, and that includes in Brazil when you compare it to previous experience.

Challenges for institutions—let me just address one. And I think one of the big success stories for Brazil has been in taming inflation, establishing credibility in the central bank in the framework of an inflation-targeting monetary framework. I think that is being strained now because we've seen a very large depreciation of the currency.

We don't know at this conjuncture whether the pass-through from exchange rates to inflation, whether that which has been subdued could resurface. So are there strains now on some of the institutional strengths that were built in the last couple of decades? I would say absolutely yes.

There are strains that were not there all that long ago. And I hope it works out for the best, but it is a challenging period.

GUILLERMO ORTIZ: Would you like to add anything?

JULIO VELARDE: I believe that there have been institutions in the recent past that you can see, even in democracy, even with the strain, that are supporting it. Before we had the case of maybe three or four elected governments and then a military government. In almost no country do I see any possibility of a sort of coup d'état or military government now.

So it's slow, but institutions are getting built up and probably they are stronger.

QUESTIONER: We were making a bit of a comparison with the Asian market and the Latin American market, and there is one thing on which I would like to have the view of the panel. The Asian markets are extremely well connected to the international financial marketplace. Certainly, you know, 10 of them have been there for quite some time, Hong Kong, Singapore, and all the other ones.

And they grow much faster. They want to try to connect to this international marketplace very quickly, and we see that in Latin America it's progressing, but it's progressing at a much slower pace. And of course, there was the commodity upside before, which was great, but now that there's a downturn, how do those Latin markets see the benefit or not of connecting with the international marketplace?

GUILLERMO ORTIZ: Rodrigo, you want to answer?

RODRIGO VALDÉS: The evidence here is relatively clear that financial integration is good at the right time. You need some level of institutions to be in place for you to be able to manage the risks, the volatilities that come along with financial integration.

If you look at the growth literature, having good macro is clearly good for growth. Having open trade is very important for growth, not to mention human capital, which, by the way, I think is the true big, big challenge for the region for the next couple of decades. But financial integration is less obvious as a clear-cut case for growth for everybody.

Once you get to some level of development in terms of having proper regulations, proper infrastructure, you can integrate. And I think that many countries in the region are there and are integrated already. Many of our countries—in fact, the IMF separates the countries in South America into those that are financially integrated and those that are not.

Precisely reflecting this, but this has to be done carefully. The experience in the past was not great. The Asian crisis showed that very clearly, and many other crises in the region.

GUILLERMO ORTIZ: Well, this reminds me of Carlos Diaz-Alejandro's famous paper written about 30 years ago, 25 years ago, "Good-Bye Financial Repression—

CARMEN REINHART: "—Hello Financial Crash."

GUILLERMO ORTIZ: "—Hello Financial Crash." So this has to be taken with a grain of salt. Part of the Mexican crisis was explained by the very quick degree of liberalization of financial markets that happened in the early 1990s. But Carmen?

CARMEN REINHART: I'd like to just echo and briefly expand on what both Rodrigo and Guillermo have said. I think Asia's growth predates actually their financial liberalization and importantly is rooted in big shifts in human capital, the favorable buildup in demographics also and sustaining high saving rates, which Latin America lacks—also more equitable income distribution in Asia vis-à-vis Latin America, where Latin America has been making headway but is still behind in that.

Financial integration actually was a precursor of the Asian crises, and in effect, one could argue that it was intimately connected to liberalization efforts. So I would say that Mexico's experience of financial integration and then crisis, which was also Chile's experience in the early 1980s, was alive and well in Asia.

QUESTIONER: (Speaking in Spanish)

GUILLERMO ORTIZ: Why don't you translate the question first and—

JULIO VELARDE: There is a slowdown in Latin American economies; what policies might we adopt? In the case of fiscal policies, I believe there are countries like Chile, Peru that have some space, where public debt is 20 percent of GDP. In the case of Chile, it's less than that even.

We have had fiscal surpluses during the boom years, so we have some fiscal space. Even in monetary policy, although we have recently increased the interest rate, monetary policy is still in the expansionary phase, and unless we see a pickup of inflation or expectations for the future become unanchored, probably we'll keep this policy that is moderately expansive. And Chile is also doing more of the same.

And some countries continue—Mexico is having low inflation, is having very expansionary monetary policies—so the countries are responding using countercyclical policies for the short run. The long run implies structural policies. Rodrigo mentioned some of them: work in human capital, in better civil service, institutions that were mentioned before, et cetera.

But it is a process. You have to accept for a time that maybe growth might be lower.

GUILLERMO ORTIZ: Rodrigo?

RODRIGO VALDÉS: Let me go back to something Carmen mentioned at the beginning, which is how temporary or how persistent or even forever, permanent, is the shock. And we really don't know.

What we are more or less sure of, though, is that this is not a V-shaped shock, that in two or three quarters we will go back to where we were six months ago or a year ago. So the notion that you can undo the shock and wait for things to calm down and to become again as they were, I think, is a very bad recipe.

We need to adjust gradually to a new normal that is there that the world is finding. We don't know where it will be—where it is—but we have to be nimble enough to accept that this has a large permanent component and therefore, you cannot do countercyclical things for permanent shocks. You have to adapt to those, and adaptation means you have to reallocate resources to different sectors—again, relative price changes, depreciation, which adjustment to this new reality is needed—and countries have to work through that.

And for the long run, as Julio mentioned, there is no way out from structural reforms that help at the end the supply side of the economy. And again, as I mentioned before, my sense is that human capital is still the basic bottleneck in the region.

GUILLERMO ORTIZ: You have the last word, Carmen.

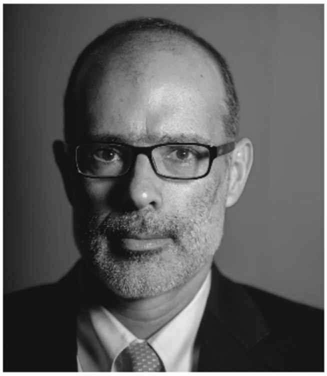
CARMEN REINHART: Very quickly, to add to what was said in the context of fiscal policy and the persistence of shocks and so on, let me add an issue on transparency. Transparency of balance sheets, everyone's balance sheets—the public sector, the central bank, the private sector—because it is in bad times that debts that were hidden, off-balance-sheet items, banks that were borrowing, or a central bank having positions in derivatives or these kinds of adverse surprises—an adverse shock or an adverse surprise of that nature—can really trigger a financial crisis.

And my last word will be, I think for Latin America just avoiding financial crises will be a big step in having higher sustained growth rates.

GUILLERMO ORTIZ: Well, with this I first of all want to thank again Julio, for all you have done to make this a memorable meeting, and thank the panelists for these very insightful observations. A big round of applause, please.

Carmen M. Reinhart

Carmen M. Reinhart is the Minos A. Zombanakis Professor of the International Financial System at the John F. Kennedy School of Government at Harvard University. Previously, she was the Dennis Weatherstone Senior Fellow at the Peterson Institute for International Economics and Professor of Economics and Director of the Center for International Economics at the University of Maryland. Professor Reinhart held positions as Chief Economist and Vice President at the investment bank Bear Stearns in the 1980s. She also spent several years at the IMF. She is a Research Associate at the National Bureau of Economic Research and a member of the Congressional Budget Office Panel of Economic Advisers and the Economic Advisory Panel of the Federal Reserve Bank of New York. She has been listed among Bloomberg Markets' Most Influential 50 in Finance.



Rodrigo Valdés

Rodrigo Valdés has been the Finance Minister of Chile since May 2015. He served as Head—Argentina, Chile, Colombia, Peru and as Chief Economist at Banco BTG Pactual S.A., Research Division, until March 2014. He headed macroeconomics research within the Andean region, including Argentina, Chile, Colombia, and Peru. He joined the firm as a Chief Economist in January 2013. He previously served as a Director of Research and Chief Economist at the Central Bank of Chile from 2002 to 2007. Joining the IMF in 2010, he served as Deputy Director of the European Department and Deputy Director of the Western Hemisphere Department and Mission Chief for the United States. Before joining the IMF, he was Barclays Capital's Chief Economist for Latin America during 2008–09. He was the Chief Adviser to the Chilean Finance Minister during 2000–01.

Julio Velarde

Julio Velarde was appointed Governor of the Central Reserve Bank of Peru in September 2006. He holds a PhD in Economics from Brown University. During his academic career (1986–2003), he was Senior Professor and Dean of the Economics Department at Universidad del Pacifico in Lima, Peru. He has served as a board member at several commercial banks and nonfinancial corporations. During 1990–92 and 2001–03 he was a member of the Central Bank Board. Before becoming Central Bank Governor, he served as Chairman of the Latin American Reserve Fund from 2004 to 2006. He was also Chairman of the Governing Board of the Center for Latin American Monetary Studies during 2007–09. He is the author of several books and articles on macroeconomics and economic policy and is a frequent speaker at international events and forums.

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2015 *Latin America: Outlook and Challenges Ahead*. Panel discussion with Carmen M. Reinhart, Rodrigo Valdés, and Julio Velarde (Lima).

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2012 *China's Monetary Policy Since the Turn of the Century*. Lecture by Zhou Xiaochuan (Tokyo).

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2009 *Growth After the Storm? A Longer-Run Perspective*. Lecture by Kemal Derviş (Istanbul).

2008 *The Role and Governance of the IMF: Further Reflections on Reform*. Symposium panelists: Stanley Fischer, Trevor Manuel, Jean Pisani-Ferry, and Raghuram Rajan.

The Approach to Macroeconomic Management: How It Has Evolved. Lecture by Lord George (Basel).

2007 *Balance of Payments Imbalances*. Lecture by Alan Greenspan.

2006 *Asian Monetary Integration: Will It Ever Happen?* Lecture by Tharman Shanmugaratnam (Singapore).

Competition Policy and Monetary Policy: A Comparative Perspective. Lecture by Mario Monti (Bern).

2005 *International Financial Institutions: Dealing with New Global Challenges*. Lecture by Michel Camdessus.

2004 *The U.S. Current Account Deficit and the Global Economy*. Lecture by Lawrence H. Summers.

Some New Directions for Financial Stability? Lecture by C.A.E. Goodhart, CBE (Zurich).

2003 *The Arab World: Performance and Prospects*. Lecture by Abdlatif Yousef Al-Hamad (Dubai).

2002 *The Boom-Bust Capital Spending Cycle in the United States: Lessons Learned*. Lecture by E. Gerald Corrigan.

Recent Emerging Market Crises: What Have We Learned? Lecture by Guillermo Ortiz (Basel).

2001 No lecture took place due to the cancellation of the Annual Meetings of the IMF and the World Bank.

2000 *Ten Years On—Some Lessons from the Transition*. Lecture by Josef Tošovský (Prague).

Strengthening the Resilience of Financial Systems. Symposium panelists: Peter B. Kenen, Arminio Fraga, and Jacques de Larosière (Lucerne).

1999 *The Past and Future of European Integration—A Central Banker's View.* Lecture by Willem F. Duisenberg.

1998 *Managing the International Economy in the Age of Globalization.* Lecture by Peter D. Sutherland.

1997 *Asian Monetary Cooperation.* Lecture by Joseph C.K. Yam, CBE, JP (Hong Kong SAR).

1996 *Financing Development in a World of Private Capital Flows: The Challenge for International Financial Institutions in Working with the Private Sector.* Lecture by Jacques de Larosière.

1995 *Economic Transformation: The Tasks Still Ahead.* Symposium panelists: Jan Svejnar, Oleh Havrylyshyn, and Sergei K. Dubinin.

1994 *Central Banking in Transition.* Lecture by Baron Alexandre Lamfalussy (London).

Capital Flows to Emerging Countries: Are They Sustainable? Lecture by Guillermo de la Dehesa (Madrid).

1993 *Latin America: Economic and Social Transition to the Twenty-First Century.* Lecture by Enrique V. Iglesias.

1992 *A New Monetary Order for Europe.* Lecture by Karl Otto Pöhl.

1991 *The Road to European Monetary Union: Lessons from the Bretton Woods Regime.* Lecture by Alexander K. Swoboda (Basel).

Privatization: Financial Choices and Opportunities. Lecture by Amnuay Viravan (Bangkok).

1990 *The Triumph of Central Banking?* Lecture by Paul A. Volcker.

1989 *Promoting Successful Adjustment: The Experience of Ghana.* Lecture by J.L.S. Abbey.

Economic Restructuring in New Zealand Since 1984. Lecture by David Caygill.

1988 *The International Monetary System: The Next Twenty-Five Years.* Symposium panelists: Sir Kit McMahon, Tommaso Padoa-Schioppa, and C. Fred Bergsten (Basel).

1987 *Interdependence: Vulnerability and Opportunity.* Lecture by Sylvia Ostry.

1986 *The Emergence of Global Finance.* Lecture by Yusuke Kashiwagi.

1985 *Do We Know Where We're Going?* Lecture by Sir Jeremy Morse (Seoul).

1984 *Economic Nationalism and International Interdependence: The Global Costs of National Choices.* Lecture by Peter G. Peterson.

1983 *Developing a New International Monetary System: A Long-Term View.* Lecture by H. Johannes Witteveen.

1982 *Monetary Policy: Finding a Place to Stand.* Lecture by Gerald K. Bouey (Toronto).

1981 *Central Banking with the Benefit of Hindsight.* Lecture by Jelle Zijlstra; commentary by Albert Adomakoh.

1980 *Reflections on the International Monetary System.* Lecture by Guillaume Guindey; commentary by Charles A. Coombs (Basel).

1979 *The Anguish of Central Banking.* Lecture by Arthur F. Burns; commentaries by Milutin Ćirović and Jacques J. Polak (Belgrade).

1978 *The International Capital Market and the International Monetary System.* Lecture by Gabriel Hauge and Erik Hoffmeyer; commentary by Lord Roll of Ipsden.

1977 *The International Monetary System in Operation.* Lectures by Wilfried Guth and Sir Arthur Lewis.

1976 *Why Banks Are Unpopular.* Lecture by Guido Carli; commentary by Milton Gilbert (Basel).

1975 *Emerging Arrangements in International Payments: Public and Private.* Lecture by Alfred Hayes; commentaries by Khodadad Farmanfarmaian, Carlos Massad, and Claudio Segré.

1974 *Steps to International Monetary Order.* Lectures by Conrad J. Oort and Puey Ungphakorn; commentaries by Saburo Okita and William McChesney Martin (Tokyo).

1973 *Inflation and the International Monetary System.* Lecture by Otmar Emminger; commentaries by Adolfo Diz and János Fekete (Basel).

1972 *The Monetary Crisis of 1971: The Lessons to Be Learned.* Lecture by Henry C. Wallich; commentaries by C.J. Morse and I.G. Patel.

1971 *International Capital Movements: Past, Present, Future.* Lecture by Sir Eric Roll; commentaries by Henry H. Fowler and Wilfried Guth.

1970 *Toward a World Central Bank?* Lecture by William McChesney Martin; commentaries by Karl Blessing, Alfredo Machado Gómez, and Harry G. Johnson (Basel).

1969 *The Role of Monetary Gold over the Next Ten Years.* Lecture by Alexandre Lamfalussy; commentaries by Wilfrid Baumgartner, Guido Carli, and L.K. Jha.

1968 *Central Banking and Economic Integration.* Lecture by M.W. Holtrop; commentary by Lord Cromer (Stockholm).

1967 *Economic Development: The Banking Aspects.* Lecture by David Rockefeller; commentaries by Felipe Herrera and Shigeo Horie (Rio de Janeiro).

1966 *The Role of the Central Banker Today.* Lecture by Louis Rasminsky; commentaries by Donato Menichella, Stefano Siglienti, Marcus Wallenberg, and Franz Aschinger (Rome).

1965 *The Balance Between Monetary Policy and Other Instruments of Economic Policy in a Modern Society.* Lectures by C.D. Deshmukh and Robert V. Roosa.

1964 *Economic Growth and Monetary Stability.* Lectures by Maurice Frère and Rodrigo Gómez (Basel).

The Per Jacobsson Lectures are available on the Internet at www.perjacobsson.org, which also contains further information on the Foundation. Copies of the Per Jacobsson Lectures may be acquired without charge from the Secretary. Unless otherwise indicated, the lectures were delivered in Washington, D.C.

The Per Jacobsson Foundation

ISBN-13: 978-1-48431-386-2

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