

# Dollarization

A Common Currency for the Americas?



March 6–7, 2000

Sponsored by Federal Reserve Bank of Dallas

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A Common Currency for the Americas?

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## AGENDA

### Monday, March 6, 2000

**7:30 a.m. Registration**

**8:30 a.m. Welcome**

Robert D. McTeer, Jr.

*President and Chief Executive Officer*

Federal Reserve Bank of Dallas

#### **Dollarization and Cooperation to Achieve Sound Money**

Sen. Connie Mack

*Chairman, Joint Economic Committee*

U.S. Congress

**9:15 a.m. The Dollarization Debate**

Guillermo A. Calvo

*Director, Center for International Economics*

University of Maryland at College Park

*Moderator:* Harvey Rosenblum, *Senior Vice President and Director of Research*, Federal Reserve Bank of Dallas

**10:00 a.m. Break**

**10:30 a.m. Pros and Cons of Dollarization**

Sebastian Edwards

*Professor*

University of California at Los Angeles

Ricardo Hausmann

*Chief Economist*

Inter-American Development Bank

*Moderator:* William C. Gruben, *Vice President and Director, Center for Latin American Economics*, Federal Reserve Bank of Dallas

**11:45 a.m.**

**When to Dollarize?**

Barry Eichengreen

*Professor*

University of California at Berkeley

**Moderator:** William C. Gruben, *Vice President and Director, Center for Latin American Economics*, Federal Reserve Bank of Dallas

**12:30 p.m.**

**Lunch**

**1:30 p.m.**

**The Mack Dollarization Plan**

Robert Stein

*Staff Director, Subcommittee on Economic Policy*

U.S. Senate Banking Committee

Kurt Schuler

*Senior Economist, Joint Economic Committee*

U.S. Congress

**Moderator:** Judy Shelton, *Professor of International Finance, DUXX Escuela de Graduados en Liderazgo Empresarial*

**2:15 p.m.**

**Devaluation Risk and Country Risk Premium**

Andrew Powell

*Chief Economist*

Central Bank of Argentina

**Moderator:** Mark Wynne, *Research Officer and Senior Economist*, Federal Reserve Bank of Dallas

**3:00 p.m.**

**Break**

**3:30 p.m.**

**A Wall Street Perspective**

Michael Gavin

*Head of Economic Research for Latin America*

Warburg Dillon Read

Walter T. Molano

*Head of Economic and Financial Research*

BCP Securities Inc.

John H. Welch

*Chief Economist, Latin America*

Paribas Corp.

**Moderator:** Carlos E. J. M. Zarazaga, *Senior Economist and Executive Director, Center for Latin American Economics*, Federal Reserve Bank of Dallas

**5:15 p.m.**

**Reception**

**6:30 p.m.**      **Dinner and Address**  
Carlos S. Menem  
*Former President of Argentina*

## **Tuesday, March 7, 2000**

**8:30 a.m.**      **One Money, One Market: The Impact of Currency Unions  
on International Trade**

Andrew K. Rose  
*Professor*  
University of California at Berkeley

*Moderator:* Harvey Rosenblum, *Senior Vice President and Director of  
Research*, Federal Reserve Bank of Dallas

**9:15 a.m.**      **Political Dimensions of Dollarization**

Benjamin J. Cohen  
*Professor*  
University of California at Santa Barbara

*Moderator:* Miguel Angel Broda, *Founder and President*,  
Fundación Gobierno y Sociedad

**10:00 a.m.**      **Some Considerations on the Case of Argentina**

Martín Lagos  
*Governor*  
Central Bank of Argentina

*Moderator:* Mark Wynne, *Research Officer and Senior Economist*,  
Federal Reserve Bank of Dallas

**10:30 a.m.**      **Break**

**11:00 a.m.**      **Alternative Perspectives**

Guillermo Ortíz Martínez  
*Governor*  
Bank of Mexico

*Moderator:* Robert D. McTeer, Jr., *President and Chief Executive  
Officer*, Federal Reserve Bank of Dallas

**11:45 a.m.**      **Closing Address**

Robert D. McTeer, Jr.  
*President and Chief Executive Officer*  
Federal Reserve Bank of Dallas

**Noon**              **Lunch and Adjournment**

# Speakers

## **Guillermo A. Calvo**

*Director, Center for International Economics*

University of Maryland at College Park

Calvo is a distinguished professor in the University of Maryland's department of economics and an economics professor at Universidad Torcuato Di Tella in Buenos Aires. He was a senior advisor in the International Monetary Fund's Research Department. In addition to holding academic posts at the University of Pennsylvania, Columbia University and University of Chicago, he was visiting researcher at Centro de Estudios Macroeconómicos de la Argentina, the University of Stockholm's Institute for International Economic Studies and the Di Tella Institute's Center for Economic Research. A widely publicized author on macroeconomics of capital mobility and transition economics, Calvo serves in editorial positions with several economic journals. He holds master's degrees and a Ph.D. from Yale University.

## **Benjamin J. Cohen**

*Professor*

University of California at Santa Barbara

Cohen has served as the Louis G. Lancaster professor of international political economy at UC–Santa Barbara since 1991 after teaching international economics at Tufts University and Princeton University. He is a former economist with the Federal Reserve Bank of New York. Cohen has lectured and taught throughout the world and was a volunteer speaker for the U.S. Information Agency from 1975 to 1992. He has held academic positions at University College London, Atlantic Institute for International Affairs, Harvard University, Fletcher School of Law and Diplomacy, Carnegie Endowment for International Peace, Salzburg Seminar in American Studies, Foreign Service Institute and Council on Foreign Relations. A widely published author, Cohen has served in editorial positions for economic journals and provided consulting services to the U.S. State Department, Organization for Economic Cooperation and Development, U.S. Treasury Department and International Monetary Fund. The International Studies Association recently honored him as a distinguished scholar. Cohen holds a B.A. and Ph.D. from Columbia University.

## Sebastian Edwards

*Professor*

University of California at Los Angeles

Edwards is the Henry Ford II professor of international business economics at UCLA's Anderson Graduate School of Management. From 1993 to 1996, he was the World Bank's chief economist for the Latin America and Caribbean region. He also is a research associate of the National Bureau of Economic Research, an advisory board member with the Transnational Research Corp. and cochairman of the Inter-American Seminar on Economics. Edwards has consulted for the Inter-American Development Bank, World Bank, International Monetary Fund, U.S. Agency for International Development, international financial institutions, and national and international corporations. A writer on international economics, macroeconomics and economic development, he has published several books and scores of journal articles. He holds editing positions with a number of economic journals, including the *Journal of Development Economics*. He is a columnist for the *Wall Street Journal*. He holds an undergraduate degree at Catholic University of Chile and an M.A. and a Ph.D. from the University of Chicago.

## Barry Eichengreen

*Professor*

University of California at Berkeley

Eichengreen has taught at UC–Berkeley since 1987 and currently is the George C. Pardee and Helen N. Pardee professor of economics and professor of political science. He also is research associate for the

National Bureau of Economic Research in Cambridge, Mass., and research fellow for the Centre for Economic Policy Research in London. He previously taught economics at Harvard University. He was senior policy advisor at the International Monetary Fund. Eichengreen is a member of the Bellagio Group of academics and high-level economic officials and is a fellow of the American Academy of Arts and Sciences. He is a widely published author on the history and current operation of the international monetary and financial system. He holds an A.B. from the University of California at Santa Cruz and master's degrees and a Ph.D. from Yale University.

## Michael Gavin

*Head of Economic Research  
for Latin America*

Warburg Dillon Read

Gavin joined Warburg Dillon Read from the Inter-American Development Bank, where he was lead research economist dealing with macroeconomic and financial developments in Latin America. He has served as associate economics professor at Columbia University, where he created and operated a new master's degree program in economic policy management. He has also worked in the Federal Reserve Board's International Finance Division and as visiting scholar or consultant to the International Monetary Fund, Federal Reserve Board and World Bank. Gavin has been visiting professor at the Institute for Advanced Studies in Vienna and the Center for Economic Research and Graduate Education in Prague. He holds a Ph.D. from the Massachusetts Institute of Technology.

## **Ricardo Hausmann**

*Chief Economist*

Inter-American Development Bank

Hausmann's research includes macro-economic volatility, determinants of inequality, budget institutions and determinants of fiscal performance, banking crises, international financial architecture and alternative exchange regimes. Prior to joining the Inter-American Development Bank, he was Venezuela's minister of coordination and planning and chairman of the Joint Development Committee of the International Monetary Fund and World Bank. He was board director for the Central Bank of Venezuela. Hausmann is on leave from Venezuela's leading graduate school of business, the Instituto de Estudios Superiores de Administración, where he is an economics professor and founder of the Center of Public Policy. He has been assistant economics professor at the Central University of Venezuela, a visiting fellow at Oxford University and general director of the Venezuelan Planning Ministry. He holds a Ph.D. from Cornell University.

## **Martín Lagos**

*Vice Governor*

Central Bank of Argentina

Lagos has held positions with a number of institutions involved in economic research, public policy and financial markets. Since 1996, he has served as the vice governor of the Central Bank of Argentina, a position he also held in 1981. He was chief economist with the Latin American Economic Research Foundation (FIEL) and

with the Bank of Boston in Buenos Aires. He also has served as cabinet advisor to the Ministry of the Economy. He was senior partner with PROECO Economics and Finance and executive director of the Argentine Businessmen Council. His writing on economic policy issues has been published widely in the Argentine media. Lagos holds a degree in economics from the Universidad Católica Argentina and undertook graduate studies at Columbia University. He was awarded an Eisenhower Fellowship in 1988 to study economics in the United States.

## **Connie Mack**

*Senator and Chairman,*

*Joint Economic Committee*

U.S. Congress

Mack was sworn into office in January 1995 for his second term after becoming the first Republican in Florida history to be reelected to the U.S. Senate. As Republican conference chairman, he is the third-ranking member of the Senate Republican leadership. Mack's interest in economics stems from his 16 years as a community banker, including five years as president of Florida National Bank of Lee County. He chairs the Joint Economic Committee and serves on committees and subcommittees for banking and finance. Prior to his election to the Senate in 1988, Mack served three two-year terms in the U.S. House of Representatives. In 1994, he was named by *Campaigns and Elections* magazine as one of the 20 most popular elected officials in America. He holds a degree from the University of Florida.

## **Robert D. McTeer, Jr.**

*President and Chief Executive Officer*  
Federal Reserve Bank of Dallas

McTeer became president of the Dallas Fed in February 1991, after serving as head of the Richmond Fed's Baltimore Branch. He is frequently described as the leader of "the free enterprise Fed." Under his leadership, the Dallas Fed also has become the Federal Reserve System's window to Mexico and the rest of Latin America. He is a past president of the Association of Private Enterprise Education, a national association of holders of university chairs of free enterprise and other scholars who promote market solutions to public policy problems. As president and CEO of the Dallas Fed, McTeer is a member of the Federal Open Market Committee, the Fed's principal monetary policy-making body. The FOMC meets every six weeks to determine the country's monetary policy. McTeer received his B.B.A. and Ph.D. in economics from the University of Georgia.

## **Carlos S. Menem**

*Former President*  
Argentina

Menem served as president of Argentina twice, from 1989 to 1995 and from 1995 to 1999, both times elected by popular vote. As president, he implemented a far-reaching economic reform program that included privatization of all public enterprises, deregulation of the private sector, and trade and financial liberalization. In 1991, his administration introduced the Convertibility Law, a monetary regime with currency board-like characteristics. The arrangement, which is still in place, ended decades of chronically high inflation rates in Argentina. Another major accomplish-

ment of his administration was the creation of MERCOSUR, one of Latin America's major trading zones, with Brazil, Paraguay and Uruguay. In his last year as president, he advocated the dollarization of the Argentinean economy as a way to fully incorporate the country into world capital markets. He served as governor of La Rioja province three times. He now serves as president of the Justicialist Party, with which he has been affiliated since 1955. He has received multiple commendations from the United States and countries in Asia, Europe and Latin America. He holds a law degree from the National University of Córdoba.

## **Walter T. Molano**

*Head of Economic and Financial Research*  
BCP Securities Inc.

Molano is responsible for all macroeconomic, financial and corporate research at BCP Securities, with emphasis on Argentina, Brazil, Mexico, Chile, Ecuador, Colombia, Peru and Venezuela. Prior to joining BCP Securities, he was director of economic and financial research at Warburg Dillon Read. He served as senior economist and vice president for Latin America at CS First Boston. A writer and author, Molano was ranked in the gold medal category during the 1998 Latin Finance Research Olympics. He is a member of the Council of Foreign Relations, Latin American Advisory Council and Duke University's Trinity Board. He has served in academic positions at Columbia and Yale universities. He holds master's degrees in business administration and international relations and a certificate in international law. He is a graduate of the U.S. Naval Academy and earned a Ph.D. from Duke University.

## **Guillermo Ortíz Martínez**

*Governor*

Bank of Mexico

President Ernesto Zedillo appointed Ortíz governor of Mexico's central bank on Jan. 1, 1998. From 1994 to 1997, Ortíz served as secretary of Finance and Public Credit in the Mexican federal government. Prior to heading the Finance Ministry, he served as Telecommunications and Transportation secretary at the beginning of the Zedillo administration. Ortíz has an extensive background in international economics, econometrics and finance. He served as undersecretary of Finance and Public Credit, president of the Finance Ministry's Banking Privatization Committee and executive director of the International Monetary Fund. He managed the Economic Research Bureau of Banco de México and served as an economist in the Ministry of the Presidency of Mexico. He also taught at universities in the United States and Mexico. Ortíz has written and published two books and numerous papers on economics and finance. He holds a B.A. from Universidad Nacional Autónoma de México and a master's and Ph.D. from Stanford University.

## **Andrew Powell**

*Chief Economist*

Central Bank of Argentina

Powell has served as chief economist at the Central Bank of Argentina since 1996. Previously, he was the central bank's head of economic research and also served as head of research at Banco Mariva in Buenos Aires. He lectured on economics at the University of Warwick and the Univer-

sity of London. He was a prize research fellow at Oxford University, where he served as research officer in the Institute of Economics and Statistics. Powell has written and spoken extensively on international lending, risk management, commodities, trade, central banking, market stabilization and structural adjustment, agricultural commodity exchanges and interest rates. He holds a B.A., master's and Ph.D. from Oxford University.

## **Andrew K. Rose**

*Professor*

University of California at Berkeley

Rose specializes in teaching and researching international economics and macroeconomics. He is a research associate with the National Bureau of Economic Research, a research fellow with the Centre for Economic Policy Research and director of the Clausen Center for International Business and Policy at UC-Berkeley. He serves as managing editor of *The Journal of International Economics*. He has served in various positions with the Asian Development Bank, the Bank of Canada, H.M. Treasury, the Bank of Israel, the Federal Reserve System, the International Monetary Fund and universities throughout the world. He is a widely published author, including works on trade, exchange rate, emerging markets and other international economics topics. He holds a B.A. from the University of Toronto, a master's from Oxford University and a Ph.D. from the Massachusetts Institute of Technology.

## **Kurt Schuler**

*Senior Economist, Joint Economic Committee*  
U.S. Congress

Schuler's research focuses on international economic issues. Before joining the Joint Economic Committee in 1999, he was a monetary consultant whose assignments took him to Armenia, El Salvador, Jamaica and Madagascar. His books include *Russian Currency and Finance*, *Currency Boards for Developing Countries* and *Should Developing Countries Have Central Banks?* Schuler holds a Ph.D. in economics from George Mason University.

## **Robert Stein**

*Staff Director, Subcommittee on Economic Policy*  
U.S. Senate Banking Committee

Stein's key issue areas are U.S. and international monetary policy, social security, tax policy, financial markets and macroeconomic forecasting. Previously, he was an economist, senior economist and deputy chief economist with the Joint Economic Committee of the U.S. Congress. He also served as national and economic issues writer for *Investor's Business Daily* and worked for

the U.S. Sentencing Commission. His publications include *Issues Regarding Dollarization* and *Citizen's Guide to Dollarization*. Stein holds a bachelor's degree from Georgetown University and a law degree from George Washington University.

## **John H. Welch**

*Chief Economist, Latin America*  
Paribas Corp.

Welch is responsible for analyzing, forecasting and interpreting the emerging economies and financial markets of Latin America for the Equity and Fixed Income departments of Paribas, an international wholesale bank with activities in 60 countries. Before joining Paribas, Welch was senior vice president and chief economist for Latin America at Lehman Brothers and a senior economist at the Federal Reserve Bank of Dallas. He has published articles and books on Argentina, Brazil and Mexico. He also served as an assistant economics professor at the University of Texas at Austin, the University of North Texas and Oakland University. He holds a bachelor's degree from Columbia University and an M.S. and a Ph.D. from the University of Illinois at Champaign–Urbana.

# Moderators

## **Miguel Angel Broda**

*Founder and President*

Fundación Gobierno y Sociedad

Broda is partner and executive director of Estudio Económico Financiero Miguel A. Broda and Associates, a major consulting firm in Buenos Aires, Argentina. He has served as advisor and economic consultant to national and international companies and financial institutions in the private and public sector. Prior to starting Fundación Gobierno y Sociedad in 1997, he was president and partner of international economic consulting firms. He has served as editor and director of *Carta Económica* since 1984. From 1991 to 1997, he was a professor at the Universidad Católica Argentina. He has taught and held research positions throughout South America. He holds degrees in economics from Universidad Católica Argentina and the University of Chicago.

## **William C. Gruben**

*Vice President and Director,*

*Center for Latin American Economics*

Federal Reserve Bank of Dallas

Gruben has published extensively on topics in banking, international capital markets and international trade. He has taught economics at Southern Methodist University and in the Department of International Management Studies at the University of Texas at Dallas. He holds a Ph.D. from the University of Texas at Austin and has served as a research associate at the

university's Institute for Latin American Studies and at its Center for Economic Development. He also has served on the Board of Advisors of UT–Austin's Bureau of Business Research. Gruben is a graduate of the Federal Reserve Bank of New York's international central banking school.

## **Harvey Rosenblum**

*Senior Vice President and*

*Director of Research*

Federal Reserve Bank of Dallas

Rosenblum serves as the chief economic policy advisor to the president of the Dallas Fed and as an associate economist for the Federal Open Market Committee, which formulates the nation's monetary policy. He began his Fed career in 1970 as an economist with the Federal Reserve Bank of Chicago. A recognized expert on the national and Texas economies, Rosenblum is a visiting professor of finance and economics at Southern Methodist University, teaching courses in commercial bank management, contemporary issues in monetary policy and macroeconomics. Rosenblum has published extensively in academic and trade publications. His research focuses on banking structure and regulation, monetary policy, electronic money, Social Security reform, international trade and dollarization in Latin America. He holds an economics degree from the University of Connecticut and an M.A. and a Ph.D. in economics from the University of California at Santa Barbara.

## **Judy Shelton**

*Professor of International Finance*

DUXX Escuela de Graduados en Liderazgo  
Empresarial

Shelton specializes in international finance and monetary issues and wrote *The Coming Soviet Crash* and *Money Melt-down*. Prior to her present position at the graduate business school in Monterrey, Mexico, she served as a staff economist with the National Commission on Economic Growth and Tax Reform. Her regular column on money for the Internet magazine *IntellectualCapital.com* is syndicated in *El Economista* in Mexico, *El Nacional* in Venezuela, *El Comercio* in Peru and in other leading Latin American periodicals. Her opinion articles on global financial matters have appeared in the *Wall Street Journal*, *New York Times*, *Washington Post*, *Investor's Business Daily* and other major publications. She also has provided commentary on financial and economic issues for CNBC, "The NewsHour with Jim Lehrer," CNN, C-SPAN and National Public Radio. She holds an M.B.A. and Ph.D. from the University of Utah.

## **Mark A. Wynne**

*Research Officer and Senior Economist*

Federal Reserve Bank of Dallas

An economist with the Dallas Fed since 1989, Wynne conducts research on macroeconomics and monetary economics. He has published various papers in the leading professional journals and Dallas Fed publications. A native of Ireland, Wynne served with the Economic and Social Research In-

stitute in Dublin, where he co-authored a pioneering study on the effects of fiscal policy on the Irish economy. He recently spent 16 months in Frankfurt, Germany, working for the European Monetary Institute and the European Central Bank on the single European currency. During this time, he worked on issues related to the strategy of monetary policy and the measurement of inflation in the single European currency area. He holds bachelor's and master's degrees from University College Dublin and a Ph.D. in economics from the University of Rochester.

## **Carlos E. J. M. Zarazaga**

*Senior Economist and Executive Director,*

*Center for Latin American Economics*

Federal Reserve Bank of Dallas

A native of Argentina, Zarazaga has been an economist with the Dallas Fed since 1994. His current research includes the welfare analysis of alternative monetary arrangements, such as currency boards, dollarization and common currency areas; the role of a lender of last resort in preventing or triggering financial crisis; and the study of the business cycles in Latin American countries. His work has appeared in Dallas Fed publications, books and professional journals. He has served as an economist at the Central Bank of Argentina and at the Philadelphia Fed. He has taught graduate-level economics courses at the University of Minnesota and undergraduate courses at the University of Pennsylvania. He holds a Ph.D. in economics from the University of Minnesota.