



CENTRO STUDI LUCA D'AGLIANO

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**2004**

**REPORT ON SCIENTIFIC ACTIVITIES**

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## **Luca d'Agliano**

Luca d'Agliano was born in Turin on July 4, 1961.

At the end of the first year of classical high school at the Rosmini Institute in Turin, driven by the wish to widen his horizons, he decided to finish his secondary education under the provisions of the Sevenoaks International Baccalaureate Programme.

In September 1980, he went up to Churchill College, University of Cambridge, where he read philosophy and then economics under Margaret Bray and Frank Hahn.

On taking his Bachelor of Arts degree in 1983, he was awarded a scholarship by the Fondazione Luigi Einaudi, Turin, and was admitted to St. Anthony's College, University of Oxford. Here, under the guidance of Amartya Sen, he studied questions relating to developing countries and welfare economics, concentrating mainly on the analysis of collective agriculture systems and the conflict, typical of such systems, between the ethical value of collective production and the pragmatic need to give individuals the incentive to produce.

The vision and the task that Luca d'Agliano assigned to economics can be gathered from this extract from the research programme submitted by him to the Fondazione Luigi Einaudi in July 1983:

"It is desirable for the study of economics to be continually carried over into practical applications, above all when attempting to solve problems that limit the growth of man's well-being. For this substantially ideological reason, it becomes important to combine close study of purely theoretical matters with a study of the problems afflicting the developing countries in their struggle against poverty, a question that is still far from being resolved, but to which economics should be applied".

Nearly a year later, Luca d'Agliano lost his life in a road accident (June 1984).

## **The Centro Studi: aims**

The Centro Studi Luca d'Agliano was founded in Turin in 1986 by the family of Luca d'Agliano, his friends, and some of his teachers. It is currently located at the Fondazione Luigi Einaudi in Torino and at the University of Milano.

Its aim is to favour a better understanding of the economic problems inherent to development.

Particular emphasis is placed on giving students the opportunity to attend the best universities and so to come in contact with the most distinguished scholars in order that they may acquire a truly international perspective and an intellectual and broad minded approach to the problems of development economics.

## **The Centro Studi: activities**

The activities of the Centro Studi are:

- I) the undertaking of research in development economics. In keeping with an approach similar to that of Luca d'Agliano, such research aims to maintain a close connection between:
  - a) the latest developments in economic theory
  - b) certain fundamental features of development economics, with special emphasis on the conflict between efficiency and equity - fight against poverty
  - c) ethical and philosophical questions assuring the unity and cohesion of points a) and b)
- II) a library and documentation centre on development studies located at the Fondazione Einaudi. This also includes the writings, notes and books that formed the subject-matter of Luca's studies at the Universities of Cambridge and Oxford;
- III) the award of scholarships, prizes and research grants to Italian and foreign students wishing to further their studies in development;
- IV) a series of seminars allowing people from the academic and business world interested in the problems of developing countries to share their work and experiences;

- V) the publication, on its own account or in association with other institutions, of studies and informative material on topics related to developing countries;
- VI) collaboration agreements with other Italian and foreign institutions aimed at furthering the exchange of ideas and the comparison of topics related to development;
- VII) the training of young students and practitioners.

## ORGANISATION

**President:** Luigi Galleani d'Agliano

**Scientific Committee:** Riccardo Faini (Chairman), Giorgio Basevi, François Bourguignon, The Lord Dahrendorf, Luigi Donato, Enzo Grilli, Frank Hahn, Judith Heyer, Fabrizio Onida, Amartya Sen, Nicholas Stern, Frances Stewart, Vittorio Valli, Anthony Venables and the Chairman of the Scientific Committee of the Fondazione Luigi Einaudi of Turin, Terenzio Cozzi

**Scientific Director:** Giorgio Barba Navaretti

**Coordination Committee:** Giorgio Barba Navaretti, Riccardo Faini, Eliana La Ferrara, Giovanna Prennushi

**Fellows:** Giuseppe Bertola, Tito Boeri, Henrik Braconier, Davide Castellani, Daniele Checchi, Francesco Daveri, Mario Deaglio, Paolo Epifani, Anna Maria Falzoni, Massimo Florio, Marzio Galeotti, Rodolfo Helg, Paolo Manasse, Alessandro Missale, Gianmarco Ottaviano, Luca Papi, Carlo Pietrobelli, Roberta Rabellotti, Fabio Ranchetti, Enrico Santarelli, Alessandro Sembenelli, George Siotis, Alessandro Turrini, Dieter Urban, Marco Vivarelli

**Junior Researchers:** Laura Anselmi, Roberto Basile, Luigi Benfratello, Anne-Célia Disdier, Mariapia Mendola, Angelica Salvi del Pero, Marcello Spanò, Alessandra Tucci

**Support Staff:** Simona Orlando, Barbara Racah and Chiara Elli

## RESEARCH OUTPUT

### Summary of Research Areas

AREA	RESEARCH PROJECTS	RESEARCH PARTNERS	FUNDING INSTITUTIONS
<b><i>International Trade, Factor Mobility and Industrialisation</i></b>	<ul style="list-style-type: none"> <li>• Trade, Development and Industrialisation</li> <li>• Linking Foreign Direct Investment and Migration: Mobility of People and Firms</li> <li>• The International Activities of the Firm: Modes and Competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>• CEPR;</li> <li>• London School of Economics;</li> <li>• Université Libre de Bruxelles;</li> <li>• DELTA, Paris;</li> <li>• Trinity College, Dublin;</li> <li>• University of Rotterdam;</li> <li>• Norwegian School of Economics and Business;</li> <li>• The World Bank;</li> <li>• University of Milan;</li> <li>• University of Turin;</li> <li>• Bocconi University;</li> <li>• Fondazione ENI Enrico Mattei;</li> <li>• ICE, Rome</li> </ul>	<ul style="list-style-type: none"> <li>• The European Commission;</li> <li>• The World Bank;</li> <li>• Compagnia di San Paolo;</li> <li>• Fondazione CRT;</li> <li>• Italian Ministry of Research</li> </ul>
<b><i>Micro-Institution and Poverty in Developing Countries</i></b>	<ul style="list-style-type: none"> <li>• Poverty Measurement and Assessment</li> <li>• Microeconomic Foundations of Ethnicity and Social Organisation in Developing Countries</li> </ul>	<ul style="list-style-type: none"> <li>• The World Bank;</li> <li>• University of Milan;</li> <li>• Bocconi University</li> </ul>	<ul style="list-style-type: none"> <li>• The World Bank</li> <li>• Institutional funding;</li> </ul>

All LdA research output can be downloaded from the website [www.dagliano.unimi.it](http://www.dagliano.unimi.it).

## **International Trade, Factor Mobility and Industrialisation**

### *Trade, Industrialisation and Development*

The research network “Trade, Industrialisation and Development” was launched at the beginning of 2003. Its objective is to understand the institutional and micro-economic constraints that affect the ability of developing countries to participate effectively in the world economy and to identify conditions that secure industrial development and modernisation, by investigating the interactions between trade, industry, institutions and economic development.

This network, funded with a grant by the European Commission, includes some of the major European research institutes in the field: CEPR; Centro Studi Luca d'Agliano; Département et Laboratoire d'Economie Théorique et Appliquée (DELTA), Paris; European Centre for Advanced Research in Economics and Statistics (ECARES), ULB, Brussels; Centre for Economic Performance; London School of Economics (LSE); Norwegian School of Economics and Business Administration; Tinbergen Institute, Rotterdam; Trinity College, Dublin; Pennsylvania State University.

Under this program, LdA has awarded a post-doctoral fellowship position at LdA premises in Milan to *Anne Célia Disdier*. Anne-Célia holds a PhD from the University of Paris I, La Sorbonne and has been working extensively on foreign direct investments, trade policy and trade of cultural goods.

*Anne-Célia Disdier* and *Keith Head* carried out a meta analysis to review the empirical evidence of the impact of distance on trade. The negative impact of distance on trade is not shrinking, but increasing slightly over the last century. This result holds even after controlling for many important differences in samples and methods. *Anne-Célia Disdier* and *Thierry Mayer* study the relationship between bilateral trade patterns and opinions. Their work, based on the Eurobarometer public opinion surveys published by the European Commission, suggests that bilateral opinions have a statistically robust and relatively large effect on imports, even when standard and new covariates capturing proximity between countries are controlled for.

*Alessandra Tucci*, using Indian firm-level data, analysed the performance of firms that participate in international trade, focusing on the combined role of import and export intensity in a context of foreign networks. In addition, systematic patterns of firm performance have been identified after characterizing networks by the specific origin of import and destination of export. This analysis has important trade policy implications. The author provided evidence that the trade contract with a developed country is not correlated to a productivity advantage, while the higher is the



concentration of export and import activities towards a specific area (both developed and developing) the higher is the associated performance measure.

*Giorgio Barba Navaretti* prepared a policy report “Azerbaijan Trade and Trade Facilitation Review”. This report, which was carried out on behalf of the Asian Development Bank, examines the main constraints to trade expansion and diversification of the Azerbaijan’s economy, in view of its accession to the WTO. Also, *Giorgio Barba Navaretti* has been involved in the preparation of a World Bank manual exploring the implications of Russia’s accession to WTO. The manual deals with several issues, from standard trade policy theory to simulations of the effects of WTO accession on the Russian economy.

### *Linking Foreign Direct Investment and Migration: Mobility of People and Mobility of Firms*

LdA has recently been awarded by the Fondazione CRT, within its newly launched Progetto Alfieri which was set up to fund frontier research in the social sciences, a research grant for a large international project exploring the link between foreign direct investment and migration.

Factor mobility is part and parcel of the globalization process. Together with trade flows, capital and labour flows have helped cementing the linkages between different economies in the world. At the same time, though, both labour and capital flows have been highly controversial. Labour migration is often opposed for the fear of diluting national identities, Similarly, FDI liberalisation is thought to limit the domestic policy space and infringe on national sovereignty.

Assessing the impact of factor mobility is a key component of the debate on globalization. Moreover, the effects of trade, labour and capital flows cannot be examined separately, but their interactions need to be thoroughly investigated. The study of these interactions also helps understanding why and under what conditions economic activities tend to disperse or aggregate in given locations. The dynamics of economic activities in any given location follows patterns which are difficult to predict. In high income countries there are many examples of formerly flourishing industrial cities which, in a mere ten or twenty years, have become destitute or, rather, have managed to prosper by converting their activities or by modifying their pattern of specialisation. Which of these two possible equilibria prevails depends on many different issues, but the importance of interacting factor flows is paramount.

Somewhat surprisingly, the relationship between FDI and migration has not been extensively investigated in the literature, neither at the theoretical nor at the empirical level. This omission is somewhat striking since the issue carries substantial policy implications. Moreover, the links between FDI and migration does not necessarily

work through trade and cannot be inferred therefore from a simple extension of the trade and factor mobility literature. This project aims at filling up this gap.

LdA has also just joined a new EC-6th Framework funded research network on "Sustainable Development in a Diverse World", coordinated by the Fondazione Eni Enrico Mattei (FEEM), Milan. The main objective of the project is to create a "Network of Excellence" integrating European research capabilities across disciplines and countries in order to provide European society and policy with the instruments and tools for managing cultural diversity as a key element of a new strategy for sustainable development. Several recent works have highlighted how cultural diversity (e.g. different ethnical groups within a given geographic space) may enhance growth. LdA will contribute to the research activities of this network by looking once again at the interaction between foreign workers and foreign firms within specific locations and geographic areas.

Within this research area, *Riccardo Faini* in "Trade Liberalization in a Globalizing World": showed how globalization is not only about the rise of trade, FDI, and migration, but it is also about the changing linkages among these flows. The main findings of the paper can be summarized as follows. First, at least in the nineties, import trade liberalization fostered not only trade but also inward investment, confirming that trade and FDI toward developing countries have become largely complements. Second, the presence of a skilled labour force is a relevant factor in attracting FDI. Moreover, trade policies and the stock of FDI have a positive impact on the incentives to invest in education. This set of findings highlights the possibility of a low equilibrium trap where the lack of human capital discourages FDI and inadequate investment from abroad limits the domestic incentives to acquire education. Rich countries, by encouraging skilled immigration from relatively poor countries, are definitely aggravating such a risk. Third, we find little evidence supporting the contrary argument of a brain gain, where the possibility for skilled workers to migrate abroad raises the return to education and the investment in human capital. Overall, our results highlight the need to study globalization in a fully integrated way, not just as the sum of its different components. They also show that backtracking in one area (e.g. trade) feeds negatively on other areas (e.g. FDI).

*Riccardo Faini* also worked on a paper on "The Brain Drain: An Unmitigated Blessing?". Increasingly, immigration policies tend to favour the entry of skilled workers, raising substantial concerns among sending countries. The "revisionist" approach to the analysis of the brain drain holds that such concerns are largely unwarranted. First, sustained migratory flows may be associated with an equally large flow of remittances. Second, migrants may return home after having acquired a set of productive skills. Finally, the ability to migrate abroad may boost the incentive to acquire skills by home residents. This paper takes a further look at the link between skilled migration, education, and remittances. It finds little support for the revisionist approach. First, a higher skilled content of migration is found to be associated with a

lower flow of remittances. Second, there is little evidence suggesting that raising the skill composition of migration has a positive effect on the educational achievements in the home country.

*The International Activities of the Firm: Modes and Competitiveness*

A new book on FDI and Multinationals by *Giorgio Barba Navaretti* and *Anthony Venables* and co-authors, completed in 2003, was published by Princeton University Press in 2004. This book provides a comprehensive analysis of the determinants and effects of MNEs, combining a survey of the recent theoretical and empirical literature with original contributions. The work is divided in four parts. The first is introductory. The second section summarises the theoretical background and describes MNEs' activities, the reasons why they arise as well as their location and organisational choices. The third section deals with the determinants of MNEs activities, their impact on home and host economies. This part also includes a case study of Ireland. The fourth section addresses the main policy issues raised by the activities of MNEs.

In partnership with the Department of Economics of the University of Milan, LdA has been awarded a large research grant to analyse the international dispersion and fragmentation of the economic activities of firms and the organisational and technological implications of such a pattern.

The process of adjustment and restructuring both at the firm and at the industry level is an essential element of European competitiveness, which has been almost completely ignored in discussions of European economic performance.

Heterogeneity of firms plays a key role in the adjustment process, and we are in a much better position to understand the interaction between heterogeneity and adjustment, thanks to recent advances in trade theory. The characteristics of firms entering the international market as exporters or as foreign investors, the way in which they organise their activities, and the relationship between their international and their domestic operations are all issues that affect the international competitiveness of an economy. They need to be analysed by using firm level or industry level data. While we have relatively good data on trade and on the activities of multinationals for several European countries, our knowledge of the growth in outsourcing and off-shoring and its impact on European competitiveness must be further developed. The project will last for three years and includes several Italian economic departments as well as ICE, the Italian Institute for the promotion of foreign trade.

Jointly with the University of Turin and with funding from Compagnia di San Paolo, LdA has also created an observatory on the internationalisation of Italian firms aimed at transmitting the outcome of academic research on this topic to a

broader audience. ICA every year defines a topical issue and prepares an ad hoc study. The outcome of this study will be presented in a workshop including both academics and practitioners. During its first year the observatory focussed on inward FDI. *Luigi Benfratello, Davide Castellani and Roberto Basile* analysed whether the attractiveness of Italian regions to inward FDI is below potential and, if so, for what reasons. In their “Attracting Foreign Direct Investment in Europe. Are Italian Regions Doomed?” they show that Italian regions on average attract 40% less FDI than their potential. The potential attractiveness of a given region is computed on the basis of regional characteristics, compared to the characteristics of other competitor regions. This gap is mostly explained by national factors, like the level of bureaucracy and the institutional environment. However, the paper also finds that the factors of attraction for FDI are generally worse for Italian regions than for their European competitors. For this project an updated version of the d’Agliano dataset of Italian Multinational firms has been compiled.

In a new paper, *Giorgio Barba Navaretti, Davide Castellani and Anne-Célia Disdier* analyse the impact of foreign activities of multinational firms on home economies. This paper extends an earlier work by Barba Navaretti and Castellani to the case of France and uses longer time series. The earlier work showed that the effects of FDI on home activities are generally positive.

Researchers working in this subject area: *Laura Anselmi, Giorgio Barba Navaretti, Giuseppe Bertola, Luigi Benfratello, Roberto Basile, Giovanni Bruno, Davide Castellani, Daniele Checchi, Mario Deaglio, Anne-Célia Disdier, Paolo Epifani, Anna M. Falzoni, Marzio Galeotti, Rodolfo Helg, Gianmarco Ottaviano, Alessandro Sembenelli, Alessandra Tucci, Alessandro Turrini, Anthony Venables, Alessandra Venturini.*

## **Micro-Institutions and Poverty in Developing Countries**

### *Poverty Measurement and Assessment*

In 2004, research focused on poverty measurement and monitoring and the analysis of institutional and micro-economic determinants of poverty, in the context of the preparation and implementation of poverty reduction strategies. Research focused on five countries: Bangladesh, Ghana, Ethiopia, Mauritania, and Nepal.

*Giovanna Prennushi and Angelica Salvi del Pero* worked on a World Bank study on the impact of public expenditures on poverty in the region-state of Oromiya, which is *Ethiopia's* largest and most populous. The study uses new expenditure and output data collected specifically for this study and household data on access to and use of public services, as well as consumption levels, from four recent household surveys.

Proper indicators have been identified and trends over time have been analysed. The study has informed research on the costs of attaining the Millennium Development Goals in Ethiopia

*Giovanna Prennushi* and *Angelica Salvi del Pero* worked on a World Bank study on inequality between ethnic groups in Nepal. The study uses household data collected in 2004 on demographic characteristics, ethnicity, consumption levels, as well as employment and agricultural activities. The study will determine, through an Oaxaca–Blinder type decomposition, how much inequality is due to differences in the distribution of welfare covariates and how much to differences in returns to such covariates. Differences in returns would corroborate claims of discrimination against some disadvantaged ethnicities.

*Angelica Salvi del Pero* is conducting research on the perception of poverty in *Mauritania*. The study compares subjective poverty measures from two household surveys, analysing the robustness of indicators of poverty with respect to questionnaire formulation and choice of respondent. Preliminary results show that responses are quite sensitive to the survey's questionnaire specification, suggesting that future qualitative survey design has to be carefully chosen. The research will also try to investigate the robustness of subjective poverty indicators with respect to objective indicators. Preliminary results show that the subjective poverty rate is thus roughly double the objective poverty rate. This is partly explained by the fact that the poverty line, used to measure the objective poverty rate, is arbitrary and evidently reflects a standard of living considered not acceptable by a large number of households. The results suggest the need for an analysis of determinants of subjective poverty to be compared to determinants of objective poverty. This study has been undertaken as part of a World Bank poverty assessment for Mauritania.

*Giovanna Prennushi* and *Mariapia Mendola* worked on household survey data for *Nepal* to assess trends in poverty indicators in the 1990s. Using data from the 1995/96 Nepal Living Standards Survey (NLSS I) and the 2000/01 Nepal Rural Household Consumption Survey, both collected by the Central Bureau of Statistics, they constructed comparable consumption aggregates and poverty measures and detected a noticeable improvement in consumption levels in rural areas. This work suggested that liberalization of input and output markets, helped by good weather, played an important role in reducing poverty in the second half of the 1990s. The work informed the World Bank's 2004 Development Policy Review for Nepal.

*Microeconomic Foundations of Ethnicity and Social Organisation in Developing Countries*

*Eliana La Ferrara*'s research has focused on the microeconomic foundations of ethnicity and social organization in Africa, asking what are the effects that social norms related to family structure have on economic decisions taken by individuals

and households. She has modelled and tested the role of norms that govern the way in which membership in an extended family is established and property is inherited, i.e. “descent rules.” To investigate the effects of different inheritance rules on inter-vivos transfers, she has developed a model that combines altruism with strategic bequests and embodies social norms as constraints on the allocation of inheritance. The predictions of this model have been tested using several rounds of the Ghana Living Standards Survey (GLSS). *Ghana* is a particularly interesting context in which to study descent rules, because there is a clear (exogenous) variation in the type of rules followed by different ethnic groups. The results suggest that children’s transfer decisions to their parents respond in a strategic way to the constraints created by social norms.

*Mariapia Mendola* investigated the interaction between different forms of migration and the adoption of modern farming technologies in rural households in Bangladesh. She looked at the micro-economic constraints that affect the opportunity of farm households to participate effectively in the international migration process – with respect to domestic temporary and permanent forms of moving – asking what is the potential impact of different forms of migration on the productivity-enhancement capacity of farm households left behind. She found that households with larger landholdings are more likely to send migrants abroad and employ modern technologies, thereby achieving higher productivity. Poorer households, on the other hand, are not able to overcome entry costs of moving abroad and fall back on domestic migration, which does not help them to achieve production enhancements and may act as a poverty-trap.

Within this area of research, LdA jointly organised with the Department of Economics (DEAS) of University of Milan two Workshops on “Equity and Development”. The workshop programme was organised by Giovanna Prennushi who is part of the team preparing the “World Development Report 2006: Equity and Development”. This activity aimed at presenting the outline of the report and fostering the discussion on the role of equity in development in the context of international consultations of academics pursued by the World Bank for the preparation of the next WDR. Participants included: *Giuseppe Bertola, Daniele Checchi, Andrea Cornia, Enrica Chiappero Martinetti, Francesco Daveri, Massimo Florio, Rodolfo Helg, Gianni Vaggi.*

Always within this research area, LdA organised, like every year, a course on “Poverty and Development”, jointly with ISPI and the Department of Economics of the University of Milan.

Researchers working in this subject area: *Giovanna Prennushi, Eliana La Ferrara, Mariapia Mendola and Angelica Salvi del Pero.*

## LECTURES, SEMINARS AND CONFERENCES

### Conferences and Seminars 2004

TITLE	DATE & LOCATION	ORGANISING PARTNER	FUNDING INSTITUTIONS
Second Luca d'Agliano Lecture in Development Economics: <i>"Rethinking Economic Growth in Developing Countries"</i> by Dani Rodrik with an introduction by Amartya Sen	October 8 <sup>th</sup> , Turin, Italy	<ul style="list-style-type: none"> <li>• Fondazione Luigi Einaudi, Turin</li> </ul>	<ul style="list-style-type: none"> <li>• Compagnia di San Paolo, Turin</li> </ul>
European Workshop on International Trade (ERWIT)	September 2 <sup>nd</sup> - 5 <sup>th</sup> , Venice, Italy	<ul style="list-style-type: none"> <li>• CEPR;</li> <li>• Dept. of Economics, University of Milan;</li> <li>• Venice International University</li> </ul>	<ul style="list-style-type: none"> <li>• ICE (Ist. Nazionale per il Commercio Estero, Italy);</li> <li>• Dept. of Economics, University of Milan;</li> <li>• CEPR;</li> <li>• UK Dept. for Trade and Industry</li> </ul>
Summer School on <i>"The Microeconomic Effects of Trade and Trade Policy: The Perspective of Developing Countries"</i> Lecturers James Tybout and Alan Winters	September 5 <sup>th</sup> – 8 <sup>th</sup> , Gargnano, Italy	<ul style="list-style-type: none"> <li>• CEPR;</li> <li>• PhD in Economics, Universities of Turin and Milan</li> </ul>	<ul style="list-style-type: none"> <li>• European Commission;</li> <li>• University of Milan;</li> <li>• Compagnia di San Paolo</li> </ul>
Second Conference of the <i>"Trade, Industrialisation and Development"</i> network	November 12 <sup>th</sup> – 14 <sup>th</sup> , Brussels, Belgium	<ul style="list-style-type: none"> <li>• CEPR;</li> <li>• Université Libre de Bruxelles</li> </ul>	<ul style="list-style-type: none"> <li>• European Commission</li> </ul>
Course on <i>"Poverty and Development"</i>	April 14 <sup>th</sup> – May 17 <sup>th</sup> , Milan, Italy	<ul style="list-style-type: none"> <li>• ISPI;</li> <li>• Department of Economics, University of Milan</li> </ul>	<ul style="list-style-type: none"> <li>• ISPI ;</li> <li>• institutional funding</li> </ul>

## Luca d'Agliano Lecture in Development Economics

The Luca d'Agliano Lectures are organised each year also thanks to the generous support of the Compagnia di San Paolo of Turin. The aim of these Lectures is to favour the diffusion of the ideas of some of the most important scholars in the field to a non specialised audience.

The second Lecture, which coincided with the ventennial of Luca d'Agliano's death, was held in Turin on October 8th at the Fondazione Luigi Einaudi. *Dani Rodrik* (Professor of International Political Economy, John F. Kennedy School of Government, Harvard University) lectured on "Rethinking Economic Growth in Developing Countries". The event was chaired by *Amartya Sen* (Lamont University Professor, Department of Economics, Harvard University and member of the Scientific Committee, Centro Studi Luca d'Agliano) and introduced by *Piero Gastaldo* (General Secretary, Compagnia di San Paolo) and *Riccardo Faini* (Professor of Economics, University of Rome and Chairman of the Scientific Committee, Centro Studi Luca d'Agliano). Amartya Sen, who had been Luca d'Agliano's supervisor at Oxford, warmly recollected Luca, his personality and his brief career as an economist.

Several themes were developed in Dani Rodrik's lecture. First, igniting economic growth and sustaining it are somewhat different enterprises, requiring different strategies. Conventional policy wisdom tends to focus on the latter at the expense of the former, and hence has been unable to trigger growth in environments where it has been applied. Second, transitions to high economic growth are typically sparked by a relatively narrow range of policy changes and institutional reforms. Third, the policy changes that initiate these growth transitions often combine elements of orthodoxy with unconventional institutional innovations. The lecture also developed a strategic approach of "growth diagnostics", illustrating how policies can be targeted on the most binding constraints on growth.

The lecture was also this time successfully attended and proved, once again, to be an important opportunity for bringing together not only various members of the Centro Studi's Scientific Committee but also many of its former scholars.

The third Lecture is scheduled for November 2005 and will be held by *François Bourguignon* (Chief Economist, the World Bank). Further information on this event will be available on our website [www.dagliano.unimi.it](http://www.dagliano.unimi.it).



## **European Research Workshop on International Trade (ERWIT)**

The Centro Studi d'Agliano, jointly with CEPR, organized the European Research Workshop on International Trade (ERWIT) in Venice on September 2<sup>nd</sup> – 5<sup>th</sup>. ERWIT is a yearly conference aimed at fostering the discussion between international economists from across Europe and key researchers from outside the region. The conference programme was organised by R. *Faini*, K.H. *Midelfart*, T. *Verdier*, T. *Venables* and S. *Evenett*. Participants included R. *Baldwin*, G. *Grossman* and E. *Helpman*.

## **Summer School in Trade, Industrialisation and Development**

A series of yearly Summer Schools on Trade and Development was first established in 2003 by the Centro Studi Luca d'Agliano jointly with Centre for Economic Policy Research (CEPR) and the Department of Economics of the Universities of Milan and Turin. The School aims at providing an intensive training course for young research students and scholars interested in the major analytical and empirical approaches concerning the issue of trade, development and industrialisation. It is organised as part of the Research Training Network in Trade, Industrialisation and Development funded by the European Commission.

The Summer School for 2004 was again held at the conference venue of the University of Milan, Palazzo Feltrinelli, Gargnano (BS), Italy, from Sunday September 5<sup>th</sup> to Wednesday September 8<sup>th</sup> and focused on “The Microeconomic Effects of Trade and Trade Policy: The Perspective of Developing Countries”. The two lecturers were *James Tybout*, Pennsylvania State University and NBER and *L. Alan Winters*, Research Director of the World Bank.

*James Tybout* explored the ways firms in developing countries interact with the global economy. Several models were introduced, explaining why different types of firms react differently to trade liberalization. The econometric evidence on these models from developing countries was reviewed. Special attention was devoted to the dynamic effects of globalization on productivity, exporting patterns, and industrial structure.

*L. Alan Winters* covered the effects of trade liberalization policies on developing countries' households. Two main channels of shock transmission were explored: first, the price effects of tariff reduction, for which modelling frameworks were presented and empirical evidence discussed; then, the labour market reallocation effect with reference to specific empirical analyses. The lecture ended with methodological considerations on general equilibrium welfare analysis.

The School was open to 30 doctorate and post-doctorate students in economics and related disciplines from all countries who were selected amongst more than 80 applicants by a Committee constituted by *Giorgio Barba Navaretti*, *Alessandro Sembenelli*, *Anthony J. Venables*, and *Thierry Verdier*.

The next Summer School will take place in September 2005, always at Gargnano, and will be dedicated to “Trade Innovation and Technology Diffusion: Implications for Developing Countries”. The lecturers will be *Francesco Caselli* of the London School of Economics and *Jonathan Eaton* of New York University

## **Second Conference on Trade, Industrialisation and Development**

This second conference of the “Trade, Industrialization and Development” research training network was held in Brussels at the Université Libre de Bruxelles on November 12<sup>th</sup> -14<sup>th</sup>, 2004. Papers analyzing the interactions between trade, industry, institutions and economic development, both from the theoretical and the empirical standpoint were presented. *Anne-Célia Disdier* (Centro Studi Luca d’Agliano) presented “Je t’aime, moi non plus: Bilateral opinions and international trade” written jointly with *Thierry Mayer*.

## **Course on Poverty and Development**

LdA organises a yearly course on “Poverty and Development”, jointly with the University of Milan, as part of the Winter School of ISPI (“Institute for the Study of International Politics”) in Milan. The course, which includes a series of ten lectures, is multidisciplinary and aimed at analysing the relationship between development and poverty. After defining the concept and possible measures of poverty, lecturers explored the links between poverty and demography, trade, micro-enterprises and the environment. The course also dealt with policy measures for poverty alleviation.

## **Other Seminars**

The Centro Studi d’Agliano also organizes a number of meetings and seminars in collaboration with other Italian and international institutions:

*March 4<sup>th</sup> 2004, University of Milan, Italy*

Job Market Seminar for the post doctoral fellowship on "Trade, Industrialisation and Development":

- “Industrial Structure Dynamics and Optimal Trade Policy”, *Facundo Albornoz-Crespo*, DELTA-Ecole Normale Supérieure, ENS and University of Warwick;
- “A Fragmented China”, *Sandra Poncet*, CERDI/Clermont-Ferrand University;

*June 30<sup>th</sup> 2004, University of Milan, Italy*

Seminar on "Monitoring Strategies of Poverty Reduction in Developing Countries",  
*Giovanna Prennushi*, Lead Economist World Bank and Joint Coordinator of the  
research area Micro-Institutions and Poverty in Developing Countries of the Centro  
Studi Luca d'Agliano;

*October 29<sup>th</sup> 2004, University of Milan, Italy*

Seminar on the "World Development Report 2006: Equity and Development",  
*Giovanna Prennushi*, Centro Studi d'Agliano Coordinator of the Research Area on  
Institutions and Poverty in Developing Countries, Member of the WDR Team and  
Lead Economist of the World Bank;

*November 11<sup>th</sup> 2004, Università degli Studi di Roma Tor Vergata, Italy*

Presentation of the Report on the resolution of financial crises (International  
Monetary Fund).

## PUBLICATIONS

### “Centro Studi Luca d’Aglia Development Studies Working Papers

The Centro Studi d’Aglia publishes a series of working papers in Development Economics. Their publication is funded by the Banca d’Italia and by the Fondazione Cassa di Risparmio di Torino. The Centro Studi Luca d’Aglia Development Studies Working Papers can be downloaded from the Ld’A website, [www.dagliano.unimi.it](http://www.dagliano.unimi.it).

*Paolo Epifani* is the editor of the series.

The series is generously supported by the Bank of Italy and Fondazione CRT

The list of working papers published in 2004 is set out below.

185. **David C. Parlsey** (Owen Graduate School of Management, Vanderbilt University); **Shang-Jin Wei** (International Monetary Fund; NBER): “A Price Based Approach to Estimate the Effects of Monetary Arrangements on Trade Integration”.
186. **Anne-Célia Disdier** (Centro Studi Luca d’Aglia; TEAM, Université de Paris 1); **Keith Head** (Saunders Business School, University of British Columbia): “The Puzzling Persistence of the Distance Effect on Bilateral Trade”.
187. **Anna Maria Mayda** (Economics Dept. and School of Foreign Service, Georgetown University): “Who is Against Immigration? A Cross-Country Investigation of Individual Attitudes toward Immigrants”.
188. **Giovanni S.F. Bruno** (Università Bocconi, Ist. Di Economia Politica); **Rosario Crinò** (Università di Bergamo, Dip. di Scienze Economiche); **Anna M. Falzoni** (CESPRI, Università Bocconi): “Foreign Direct Investment, Wage Inequality, and Skilled Labor Demand in EU Accession Countries”.
189. **Silvia Marchesi** (University of Siena); **Alessandro Missale** (University of Milano): “What Motivates Lending and Aid to the HIPC’s?”.
190. **Anna M. Falzoni** (University of Bergamo; CESPRI, Bocconi University); **Alessandra Venturini** (University of Torino; IZA; CHILD); **Claudia Villosio** (R&P Ricerche e Progetti): “Wage Differentials and International Trade in Italy Using Individual Micro Data 1991-1996”.
191. **Riccardo Faini** (University of Rome “Tor Vergata”; CEPR, London); **Enzo Grilli** (Johns

Hopkins-SAIS, Washington D.C.): “Who Runs the IFIs?”.

192. **Riccardo Faini** (Università di Roma “Tor Vergata”; CEPR; IZA; CSLA): “Trade Liberalization in a Globalizing World”.
193. **Alberto Alesina** (Harvard University; NBER; CEPR); **Eliana La Ferrara** (Bocconi University; IGIER): “Ethnic Diversity and Economic Performance”.
194. **Giovanni Andrea Cornia; Leonardo Menchini** (University of Florence): “The Pace and Distribution of Health Improvements during the Last 40 Years: Some Preliminary Results”.
195. **Mariapia Mendola** (University of Milan-Bicocca; Centro Studi Luca d’Agliano): “Migration and Technological Change in Rural Households: Complements or Substitutes?”.
196. **Anne-Célia Disdier** (Centro Studi Luca d’Agliano; TEAM, Université de Paris I); **Thierry Mayer** (University of Paris-Sud; CEPII; CEPR): “Je t’aime, moi non plus: Bilateral Opinions and International Trade”.

## **Books**

**Multinational Firms in the World Economy**, by G. Barba Navaretti and A.J. Venables with F. Barry, K. Ekholm, A. Falzoni, J. Haaland, K-H. Midelfart, & A. Turrini, Princeton University Press, 2004

## SCHOLARSHIPS AND PRIZES

Ld'A devotes particular attention to training young students to acquire the background necessary for a professional career in development research, by providing them with financial assistance in the form of scholarships or by including them in their research projects.

A yearly grant of 9.300 Euros is awarded, through the Fondazione Luigi Einaudi in Turin, to young Italian graduates who wish to advance their studies in development economics at the Universities of Cambridge, Oxford or at the London School of Economics.

In 2004, the scholarship was granted to *Giulia Pietrangeli* who is completing a PhD at the London School of Economics. Title of her research: "For a Theory of Collective Action in International Trade Negotiations: The Case of Eastern and Southern Regional Organisations in the Economic Partnership Agreements".

In the past, scholarships were awarded to: *Giorgio Barba Navaretti* (Oxford, 1985), *Chiara Tuffarelli* (Cambridge, 1986), *Roberta Rabellotti* (Oxford, 1987), *Francesco Daveri* (Oxford, 1988), *Marina Moretti* (Oxford, 1990), *Paolo Craviolatti* (Oxford, 1992), *Gabriella Giacometti* (Warwick, 1993), *Sabina Di Addario* (Oxford, 1994), *Renato Grelle* (Oxford, 1995), *Andrea Finicelli* (Oxford, 1997), *Ilaria Caetani* (LSE, 1998), *Diego Angemi* (Oxford, 1999), *Mattia Nicola Romani* (Oxford, 2000) *Francesco Rampa* (Oxford, 2001), 2002 not awarded, and *Luciano Ciravegna* (Oxford 2003).

### Prizes

The Centro Studi's annual prizes are awarded through Churchill College, University of Cambridge, and St. Antony's College, University of Oxford, to students displaying "ability in their studies, particular interest in the problems of developing countries, humanity and altruism".

Prize-winners are listed by institution. A similar prize, assigned to a student from Sevenoaks School (Kent), was discontinued in 1994.

### *Cambridge* (£. 500)

In 2004 the awardee for this prize was *Dominic Rohner* (Switzerland), a PhD student

at Trinity Hall. His thesis will focus on “Welfare State and Development”.

In the past, prizes were assigned to: *C.M. Bramall* and *X.H. Zhang* (1986), *S.V. De S. Gunaratne* and *L.Wang* (1987), *A. Basu*, *H. L. Khong* and *M. Marcel* (1988), *Luis A. V. Catao*, *Lucia Hammer* and *Sue Szabo* (1989), *He Dong*, *R. M. Rimmer* and *A. P. Woods* (1990), *Pingyao Lai*, *Xiao-Feng Liu* and *Asad Sayeed* (1991), *Giancarlo Spagnolo* (1992), *Anu Satyal* (1993), *Gangzhan Fu* (1994), *Samantha Gibson* (1995), *Reehana Rifat Raza* (1996), *Khwima Lawrence Nthara* (1997), *Grace P.C. Mugadza* (1998), *Martin Ruhs* (1999), *Sara Silvestri* (2000), *Rozana Salih* (2001), *Xutian Ma* (2002) and *Yuantao Guo* (2003).

### **Oxford** (£. 500)

In 2004, the award went to *Raphael Espinoza* (France), Christ Church College, for his D.Phil research proposal “Restrictions on Capital Flows, Investment and Growth”.

In the past, prizes were assigned to: *J.R. Scott* (1985), *J. Hoddinot* (1986), *Solomon Soquar* (1987), *Jerome Booth* (1988), *Mamta Murthi* (1989), *Stephen Grant Devereux* (1990), *Nomaan Majid* (1991), *Lucia da Corta* (1992), *Roberto Tibana* (1993), *Riccardo Maggi* (1994), *Sabina Alkire* (1995), *Caterina Ruggieri Laderchi* (1996), *Nancy Collins* (1997), *Mark Wu* (1998), *Diego Angemi* (1999), *Sebastian Silva-Leander* (2000), *Maria Lugo* and *Jesse Kharbanda* (2001) and *César Calvo* (2002), 2003 not awarded.

### **Other Prizes**

Another, non-annual prize was established in 2003 to further the studies and stages abroad of students from developing countries. Candidates are required to follow Master courses in Development Economics at the Universities of Torino, Pavia or Milano.

The awardee for 2004 was *Abdurhamam Sharif* (Somalia) who is following a Master Course in International Development and Cooperation at the European School of Advanced Studies, University of Pavia, and a stage at CISP in Ethiopia.