ASSOCIATION INTERNATIONALE DES SCIENCES ECONOMIQUES

ASOCIACION INTERNACIONAL DE ECONOMIA

Letter from Masahiko Aoki

2008-2011 IEA President Stanford, USA

It is a great honour for me to have been appointed as the President of the International Economic Association (IEA), for which I am very grateful to the Council and to the Member Associations. I am deeply aware of the responsibilities, as well as the many exciting opportunities, associated with the office.

The 15th World Congress of the IEA was successfully held in Istanbul, Turkey, in June 2008 under the intellectual leadership of my predecessor, Professor Guillermo Calvo, and the excellent organization led by Professor Ercan Uygur. Professor Calvo chose, with timely insight, the topic of "Globalization Debate", that is, the light and shadow of globalization so to speak, as the major theme of the Congress. Within only a few months the world economy began to be dramatically shaken by the financial shock triggered by the sub prime loan problem in the United States and failures of some giant—financial corporations. Now some economists suggest that the seriousness of the present economic setback may be even comparable to that of the Great Depression in certain respects, and that recovery from it may take years to come. This situation undoubtedly poses a tremendous challenge for economists. We are forced to realize that the existing rules of the global economic game are quite inadequate, even though there have been, and will be, tremendous benefits from the globalization of markets, information, production networks, and so on. We in the economic profession are certainly obliged to be engaged in an earnest search for better rules and governance of the global economic game consistent with stability, equity, sustainability, and innovative opportunities in the world economy.

Such a thematic challenge also indicates the need for a re-examination of the methodology, approach, and philosophy that economists have been accustomed to. Professor Robert Solow, President of IEA between 1999 and 2002, rightly pointed out in his newsletter that economists had come to speak and think homogenously all over the world and that an idea of national schools of economics had become definitely obsolete. In spite of the setback of market globalization, or shall I say rather because of it, dialogue among economists all over the world is becoming ever more crucial. However, at the same time we may also need to broaden our methodological perspective. Indeed, in the last decade or so, experimental economics, behavioural economics, psychological and epistemic game theory and so on has started to re-examine some of fundamental premises that economists have traditionally accepted regarding human behaviour, motivations, cognitive competences, and so on in their economic choices and transactions. Also increasing attention is being placed on the roles of various social categories, such as belief systems, social information, norms, laws and institutions and the like in the workings and performance of the economy. These emergent trends in economics seem to imply, in my view, two important methodological points.

First, as Professor Janos Kornai emphasized in his 2005 IEA Presidential Address, there is a growing need and opportunity for a trans-disciplinary (or a multidisciplinary) approach to various economic problems we face. I intentionally use the term trans-disciplinary, rather than inter-disciplinary, to suggest that dialogues among different disciplines ought to be more integrative and substantive rather than just chatting and listening with each other. After all, political scientists, sociologists, jurists, (social) cognitive scientists, are all dealing with social situations where actors behave on the basis of certain expectations regarding others' behaviours (and/or those crystallized in societal rules and laws).

Thus all the social sciences may benefit more by communications between economics (as dealing with human rationality) and other social sciences (as conceived otherwise). Economists can do so without abandoning the refined analytical apparatus and insights that economics and game theory have been accumulating, on one hand, and on the other without asserting the "economics imperialism" based on the narrowly conceived "methodological individualism." It is the methodology which attempts to understand complex economic and social phenomena solely in terms of market-mediated aggregates of individual choices as derived from a priori given tastes, beliefs and the like. As mentioned above, economics are increasing aware of the importance of various social categories as mentioned above with its unique insights into their sources and roles.

Secondly, I would like to submit that the above mentioned thematic and methodological agenda may also call for the growing need of comparative approach. By saying so I do not mean, as I have already indicated, that there ought to be different methodological approach, theory, and language for describing, diagnosing, and prescribing for each national economy. There can be tendency toward convergence in certain aspects of economic structure and institutions among national/regional economies on one hand, while differences may remain robust in other respects. Policy and rule-setting for economic games need to carefully take into consideration historical and emergent conditions that would make convergence/diversity feasible and/or desirable. This can be one of the important lessons that we may draw from the current crisis.

I understand that one of the important functions of the IEA is to set a clear theme of the World Congress of common interests among economists from all over the world and to promote fruitful communications and discussions, so that a better understanding of the world economy is achieved and better solutions are explored for its problems. I am very much looking forward to cooperating with the member associations of IEA and individual economists from all over the world for that purpose during the next three years.

Executive Committee 2008 – 2011

The International Economic Association's Council held its twentieth general assembly on June 24, 2008, in Istanbul. Attended by representatives of its members, the President Guillermo Calvo and the Secretary General Jean Paul Fitoussi reported on the major activities of the Association since 2005.

The election of members of the IEA Executive Committee for the period 2008 - 2011 took place during the meeting. Members elected are:

President:Masahiko Aoki (Japan)Vice-President:Eytan Sheshinski (Israël)President-elect:Joseph Stiglitz (USA)Treasurer:Lucas Papademos (Greece)

Other Members:

Aloisio Araujo (Brazil) Kaushik Basu (India) Ken Binmore (UK) Guillermo Calvo (Argentina) Peter Englund (Sweden) Joan Esteban (Spain) Janos Kornai (Hungary) Alan Krueger (USA) Timur Kuran (Turkey) Victor Polterovich (Russia) Yingyi Qian (China) Horst Siebert (Germany)

Co optation of advisers

During the meeting of the new elected Executive Committee meeting held on June 24, 2008, Professor Masahiko Aoki appointed Wu Jinglian (China), Jean Paul Fitoussi (France) and Marcello de Cecco (Italy) as Advisers.

Farewell letter from Guillermo Calvo

Past President (2005-2008)

I would like to thank the IEA for giving me the opportunity to serve as its President during the period 2005-2008. Especially, I would like to express my gratitude to the IEA Secretariat, headed by Professor Jean-Paul Fitoussi, for providing invaluable administrative and, no doubt, moral support. The period 2005-2008 witnessed the beginning of a major financial crisis that is shaking up conventional wisdom and challenging us to come up with new proposals to address issues like financial regulation and the role of international financial institutions. We are still at the start of a likely wrenching process. It is, therefore, quite remarkable that the 2008 IEA Istanbul World Congress' central theme was The Challenge of Globalization. I mention this because the theme was chosen by the Executive Committee long before the start of the crisis, showing that the Association does not dwell in an ivory tower and has a clear sense of relevant policy issues. The theme made it possible to attract to the Congress a considerable number of papers that focused on the financial sector, an issue that was also covered in several keynote speeches, thus placing the IEA clearly "ahead of the game." But luck was also on our side. The IEA was extremely fortunate to collaborate with the Turkish Economic Association and, especially, its President, Professor Ercan Uygur. Professor Uygur was extremely generous with his time and coordinated, together with his equally dynamic and efficient colleagues, all the aspects of the World Congress - an event of major proportions given the number of participants and the sizable funding needs that it entails – in a seamless fashion. My heartfelt thanks to all of them!

The present crisis is launching the world into uncharted territory. There is little chance that the world can quickly go back to the Great Moderation years and that the current episode is remembered largely as a "bad dream." It would take an inveterate optimist to rule out the possibility of a long-winded recession that will seriously question the desirability of the present global economic system. I don't think the world will abandon capitalism in a clean sweep but it is very likely that the private sector will be subject to much closer public scrutiny. For, it is hard to imagine a new regime willing to give free rein to a sector that would already have seriously unraveled, had it not received extensive official assistance. Thus, in all probability new policies will be implemented that change the rules of the game. Some of these policies will contribute to establishing a more stable and peaceful global system. But there is no assurance that the interaction of politics and vested interests will result in a better world organization. We are already seeing the surge of protectionism and nationalism in different parts of the world, even at the very center of the world economy. We have not faced such a major challenge since the Great Depression, and the lessons from that period are extremely worrisome. I want to believe that the world has changed for the better. Globalization has brought a more fluid interaction among different players in the world. G20 statements reassure us that the powers that be are conscious of the risks of unilateral action. However, as noted, dissonant sounds are heard in different parts of the world. This reinforces, in my mind, the relevance of the IEA. The IEA is a global academic institution which harbors a variety of different points of view. Peace is in its DNA: a prominent motivation behind its creation was to help to establish a bridge between East and West after the Second World War. The major problem I see going forward is funding. The association operates on a shoestring. Its existence on a daily basis crucially depends on the motivation and enthusiasm of a handful of people, mostly housed at the Secretariat. Thus, a first order of business should be, in my opinion, fundraising. This may look especially unpromising in the current situation. However, it may well not be so. Risk aversion and the lack of trust in the private sector have resulted in investors rushing to buy US Treasury Bills and Bonds, for example. Thus, there are some governments that have ample access to finance. To the extent that these governments are eager to reestablish a peaceful and efficient globalized system, the IEA should be seen by them as a natural partner. I am not implying that getting their support will be easy, but I believe that it would be a mistake to conclude that IEA funding will necessarily become more difficult. Actually, the publicprivate partnership that I envision between IEA and some financially strong public sectors was difficult, if not impossible, prior to the current crisis, because of the strong prevalence of laissez-faire ideology. In that environment, the IEA fundraising tended to fall on deaf ears.

Let me end by once again thanking the IEA for the honor of serving as its President and offering my commitment to contribute to the success of future IEA's projects and consolidation.

New Secretary General

As readers will know, there were a number of changes involving officers of the Association. Professor Jean-Paul Fitoussi stepped down after a long and impressive stint as Secretary-General. Professor **Luigi Paganetto** has been appointed as his successor. He is Dean and Professor of International Economics – Faculty of Economics – at the University of Rome "Tor Vergata" and President ENEA - Ente per le Nuove Tecnologie, l'Energia e l'Ambiente.

During the congress, Professor Guillermo Calvo paid tribute to Professor Jean-Paul Fitoussi. The full text is to be found below:

As many of you know, Professor Jean Paul Fitoussi will step down as Secretary General of the IEA at the end of the Istanbul Congress. He will be succeeded by Professor Luigi Paganetto from the Universita degli Studi di Roma'Tor Vergata', who was formally appointed on November 1st 2006. Professor Fitoussi extended his tenure at the IEA until now to facilitate an orderly transition.

Professor Fitoussi was appointed in 1984 and has almost single-handedly carried forward the torch of the IEA until now. The Association was very fortunate to recruit an academic of Jean Paul's standing with such an unrelenting commitment to the IEA's objectives. His worldwide reputation and hard work ensured the continuity of the IEA and the ability to hold its World Congresses on a regular basis —no minor feat given the tumultuous times we live un and the slim budget within we operate. In addition, the Secretariat played a critical role in the interim meetings of the Executive Committee and the various conferences

and publications organized under the auspices of the Association.

Let me add a vignette to put some blood in my description of this great man. There was one instance in which a partner institution had to drop its commitment to host the World Congress shortly before it was scheduled. Jean Paul, in a quick move that his assistants still recall with a great sense of awe and admiration, was able to secure a new partner who was able to organise a very successful congress in one year's time — a Houdini's feat! How many top academics can or will be willing to do that?

It has been twenty-four years of hard work from a busy and successful man, which reflects a profound act of generosity. The IEA should be very thankful for that. I am sure that his name will forever be imprinted in the institution's memory with a deep sense of gratitude and as example for future generations.

Past IEA activities

Details on the following activities are available on the IEA web site: http://www.iea-world.org

Fifteenth World Congress

The 15th world congress of the IEA took place in Istanbul, Turkey, June 25-29, 2008. The Turkish Economic Association was the host of this event. It recorded over 1000 participants. The five day technical programme included six invited plenary sessions, twenty one invited sessions and eighty one parallel sessions with three hundred contributed papers in all areas of Economics.

Congress website: http://www.iea-tek2008istanbul.org

News from Member Associations

The Polish Economic Association organised a very successful congress, attended by some 700 participants, held on 29th and 30th of November 2007, in Warsaw under the motto: "**Poland in the world economy: Development, Threats and Opportunities**". Post congress publication series consists of eight volumes. More information on the Polish Economic Society's activities is available on http://www.pte.pl