

NOTE OF THE GUEST EDITORS
SPECIAL EDITION ON REGIONAL AND
URBAN ECONOMY

This special edition is an effort of the journal *Ensayos sobre Política Económica* to promote the development and spreading of studies in the area of the regional and urban economics. The call for papers received 57 papers, seven of which were finally chosen to be part of this special edition. The papers selected, as well as the two special guests that participated in the annual seminar, covered a wide variety of subjects with national and international experiences that will allow the readers to have a wide perspective on the progress in this field.

We consider that this edition is an excellent opportunity to highlight the importance of the subject of regional and urban economics, because one of the great challenges that Latin America will face in the next few years, is the increasing regional economic imbalances.

In the last few years, researches at the Centro de Estudios Económicos Regionales CEER, have demonstrated that there are high levels of regional iniquity in Colombia that tend to perpetuate, or even to get worse. We consider that correcting these iniquities requires, first of all, its acknowledgement, and the design of strategies and actions aimed at correcting them through a State policy.

However, perhaps the question some people may ask is why should the territory be included in the design of national policies? In order to answer this question, we believe that the papers selected provide a great contribution on this subject. That is why, next we will refer to some points they dealt with.

Haddad and Hewings make an important effort to model economies that, like Brazil and Colombia, show a traditional pattern of center - periphery, but with high transportation costs that allow the firms to exploit increasing returns to scale by serving certain areas of the national market. This means that the companies located in the regions that have a large market, like Sao Paulo and Bogotá, have greater opportunities to be more efficient than those located in other parts of the country.

Álvaro Monge and Diego Winkelried's paper on price convergence in Perú shows that geographic differences or high transportation and information costs limit price convergence among Peruvian cities, through their negative influence on the income gap or the tradability index. The authors also point out that public expenditure in infrastructure is relevant to improve inter - regional integration.

For the Colombian case, Juan Esteban Vélez points out that the high transportation costs observed in the country would indicate that the Colombian process of agglomeration is still in its early stages and that such costs must substantially fall down in order to change such tendency.

This evidence provides a first element that should be taken into account when defining national policies on infrastructure. It has been widely discussed how the Colombian backwardness in terms of infrastructure keeps large areas of the country separated from the national economic circuit. To a great extent, the little investment on this field have been channeled to connecting the current centers of development to each other, with which most of the less developed regions continue in isolation. This situation does not allow us to be optimist about the tendencies in terms of regional convergence in Colombia. That is the reason why we consider that it is imperative to debate about the future of investment in transport infrastructure in the country.

In addition, the two papers that deal with employment from a regional dimension also have elements that support the idea that the national policies must have a territorial dimension. Carlos Ortiz, José Ignacio Uribe and Érika Badillo argue that the labor reforms in the country have been designed under the assumption that urban labor markets are integrated, in other words, that they are homogeneous in space. Nevertheless, their results show a different reality, because there is interregional segmentation of the Colombian labor market that shows a significantly greater remuneration in large formal enterprises and in Bogotá. This leads the authors to raise the necessity of using regional development policies to compensate for the inequalities and to promote the national development.

Lilian Bohórquez, Jesús Godoy and Diego Téllez show that the speed of response of the employment cycle in each city not homogeneous with respect to what has been observed in the rest of the cities. Besides, they found that large cities tend to affect the cycles of smaller cities that are geographically or culturally close to each other. Finally, they conclude that some cities have cycles that are independent from the cycle of the rest of the cities. These three elements show, once again, that the space matters in the structure of the labor market.

The international experiences presented by Adrián de León, Sandy Da'llerba and Dong Guo also provide elements that support a regional policy. De León shows that, in spite of the changes in the economic structures of the Mexican regions in the last years, the dynamics of the productivity of the manufacturing industry is persistent. In few words, there are asymmetric behaviors in the Mexican space.

Additionally, Da'llerba and Guo detected that the main migratory patterns among Spanish regions have remained steady during the analyzed period. Of course, this migratory pattern will influence inter - regional patterns of convergence in Spain in the next years. From a neoclassic perspective of growth, the migration of factors will permit to reach inter – regional income convergence in the long-run. If we take a look at patterns like the one detected in Spain, there are not many arguments that

support the hypothesis of convergence. Once again, the tendencies observed in the space will influence the added behavior of the national economy and, therefore, they must be incorporated in the design of the strategies of macro policies.

In conclusion, what was presented in the different papers of this special edition permits us to state that the space matters and that it must be included in the economic analysis. The structure of the markets is seen fragmented, among other factors, by geographical barriers, by high transportation costs and by the investment decisions in infrastructure. This is finally reflected in inequalities in development and the well – being of the different regions and it makes us think about policies of regional development that help reduce inequities.

Finally, it is important to express our gratitude to some people that made this special edition possible. First of all, we would like to thank the journal *Ensayos sobre Política Económica*, ESPE, for the opportunity they gave us to work as editors of this special issue, as well as the editorial board and María Teresa Ramírez, the editor. Also, we would like to thank the Governor of the Banco de la República, José Darío Uribe, and its board of directors, for their support to carry out this seminar.

The success of the call for papers was possible thanks to all those people that were motivated to send us their works. To them, of course, our gratitude, as well as to all the people which cooperated with us as referees and commentators in this process. We would also like to thank our partners from CEER, for their permanent help, and Melanie Triana, for her excellent coordination work.

JAIME BONET
ADOLFO MEISEL ROCA
GUEST EDITORS SPECIAL EDITION
CENTRO DE ESTUDIOS ECONÓMICOS REGIONALES, CEER
BANCO DE LA REPÚBLICA, CARTAGENA BRANCH