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Regional Convergence in Latin America: Structural Reforms and their Outcomes

< Título

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2005-011

< Número de Documento de trabajo

Inglés

< Idioma

Diciembre 2005

Buenos Aires, Argentina

< Fecha de publicación

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Regional Convergence in Latin America

Structural Reforms and their Outcomes

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Paper presented at the international conference
"Is there an Economic Orthodoxy for Developing Nations?
held by the Institute of International Relations at
National Chengjhi University, South African Institute of International Affairs.
September, 2005.

Abstract

This paper examines the background, the implementation process and the effects of the market orientated reforms in Latin American countries, its divergence and convergence among the countries about sequence and outcomes in this whole experience. In section I, it describes the obsolescence of the ISI (import substitution industrialization), and the regional impacts of debt crisis to explain the restrictions to international financial credits. We will remark the role of International community, and its pressure to introduce the package of reforms, from the Washington view, known as Washington Consensus. Section II examines the characteristics of the new paradigm, its implementation in Latin American countries, the recommended sequence and the divergences among different paths taken by countries in the implementation suggested. In this section the paper aims to measure the scope of reforms, attempting to quantify the process in Latin America. For this we will use Lora indexes[1] and the contribution made by Morley, Machado and Pettinato[2]. Both indexes are based as much as possible on policy variables under the control of the government. Section III examines the current state of reforms process, the economic and political dissatisfaction with the outcomes and its connection with the symptoms and causes of reform fatigue. We suppose that it would have strong implications in rethinking a new reform agenda. It is essential to relate the reform fatigue with effects of reforms and their impact on growth, employment, income distribution in the region, taking into account the institutional environment.

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[1].Lora, E. *Structural Reforms in Latin America: What has been Reformed and how to measure it,* Inter-American Development Bank wp # 466, December 2001,

[2] Morley, Machado and Pettinato, *Indexes of Structural Reform in Latin America* ECLAC, LC/L.1166, January 1999.

I. Background

In the post-war period development policies were dominated by the idea that industrialization was the key to achieving sustained growth. Additionally, policy makers were convinced that the state should play a critical role in societies that lacked a strong entrepreneurial class or decisions guided by markets rationality. In accordance with this vision, the state directly concerned itself with production in an attempt to accelerate capital accumulation and to acquire new technologies. To influence resource allocation in the desired direction, the state privileged tools like the manipulation of relative prices, protectionism, and intervention in the process of financial intermediation.

In the eighties, most developing and transition countries face the twin problems of establishing and consolidating institutions for a market economy and democracy. In addition, some of them face difficulties in maintaining internal and external macroeconomic balance The aim of reform in these countries was to establish a package of market oriented reforms in order to optimize investment and innovation and enable implementation of policies ensuring efficient use of productive resources over time and management of a country's demand in a way that does not lead to unsustainable public and foreign debt levels.

All this resulted in a new Latin American consensus driving the reform process in the region. The economic thinking in Latin America was transformed. In the new paradigm, the faith in industrialization was replaced with the confidence in markets and the creativity of the private sector. Protectionism and interventionism were reconsidered and criticised by new guidelines which emphatically suggest commercial openness, market orientation, and competition. The positive agenda of economic policy was synthesized in the recommendations of the so-called Washington Consensus (Williamson, 1990). The 1991 World Development Report, in turn, presented and developed in detail the policy changes that a "market-friendly" reform should implement.

But it was from the mid-eighties when an ever growing number of countries adopted policy packages inspired in the new paradigm while reformers became increasingly ambitious. In fact, from the standpoint of the present, the liberalization attempts at seventies appear to be timid, trembling first steps.

The Washington Consensus has become a familiar term in development policy circles in recent years, but it is now used in several different senses, causing a great deal of confusion. In the original version (Williamson 1990) it consisted in a set of ten key reforms which economist considered essential to end downward spiral in Latin America: fiscal discipline, public expenditure priorities, tax reform, financial liberalization, a competitive exchange rate, trade liberalization, liberalization of inflows of foreign direct investment, privatization, deregulation, and respect for property rights.

Conventional wisdom among economist established a neat and causal separation between stabilization and growth. Not only was stabilization to come first; it has to be sustained long enough to satisfy expectations and restore the economy credibility. Only then would an economy achieve growth. Because stabilization's brief popularity alone was not enough to generate economic reform, economist prescribed that stabilization programs should be conceived as part of a broader structural transformation in which winners outnumbers losers. Public sector or state reform and liberalization of markets became the *new panacea*. Taking into account that decades of state-led growth resulted in inefficient enterprises, which depended mainly on state subsidies, selective credits policies and tax exemptions, neoliberal proponents called for the dismantling of state enterprises.

The literature on economic reforms is rich in discussing about the speed and sequencing of implementing structural reforms. During the first generation, stabilization policies aimed to correct short-term problems.

In sum reforms sought to make an economy statically and dynamically efficient and ensure the economy is internally and externally in balance. From the point of view of the politics of reforms, the aim was to establish the political and institutional conditions that allowed for launching and consolidating reforms.

Therefore, it is important to remark that the experience across developing and transition countries demonstrate that there is no one-to-one correspondence between political and economic regimes. In the 1970s, the authoritarian regime in Chile introduced liberal market reforms, weakening the state sector in the economy under the influence of the 'Chicago School'. At the same time, in the Peruvian regime, it was strengthened the state sector, in Brazil, while declaring a commitment to market reforms, the public policies implemented, ended enlarging state production (Cardoso 2001: 135-136).

II. Implementation of *market oriented* reforms, its sequence in Latin America.

II. a. The main pillars of Washington Consensus

As we expose previously, the package of market-oriented reforms were advocated in five areas: (1) trade liberalization; (2) exchange rates, (3) tax reform; (4) financial reform; and (5) public enterprise reform and privatization. In general, the goals were to emphasize competition, market orientation, openness, and macroeconomic balance (Edwards, 1995:57). Sebastian Edwards, the World Bank's chief economist for Latin America and the Caribbean evaluated the extent and timing of the implementation of these reforms Latin American and Caribbean countries (1995:60-64).

- **Macroeconomic Stabilization**

From Washington point of view, it was supposed the first challenge faced by many developing and transition countries, defined as maintaining domestic and external imbalances, in particular containing inflation and current account deficits.

This issue was often related with fiscal deficits, monetary growth and later markets structure. Those who think that an optimal way to eliminate excess of demand is by reducing it, will propose very strict controls of fiscal deficits and monetary growth. Those who think it as supply issue, will propose to increase it by implementing long term reforms. It involves increasing the size of the production possibilities frontier and therefore implies a requirement of structural reforms. In this case, reforms were to improve efficiency and freeing prices so that they reflect scarcity and provide actors with the incentives to allocate resources to sectors with the highest rates of return. A structural approach to eliminate excess demand will eliminate any distortion caused by government intervention. And from this vision, macroeconomic stabilization has to be completed quickly because is the key to promote sustain growth. Thus the focus of macroeconomic stabilization is often on the short-term variation in fiscal and monetary policies. However, in countries where subsidies to state-owned enterprises (SOEs) take up a significant share of the government budget, macrostabilization and structural adjustment are interdependent. Losses of SOEs were the major cause of past fiscal deficits in many developing countries.

The fiscal deficits fuelled inflation and developing countries like Argentina and Brazil, when faced with unexpected large external shocks like the oil price shocks of the 1970s that accelerated inflation, had to resort to rapid and significant public expenditure cuts that required massive privatization of SOEs (Haggard and Kaufman 1992: 293).

The experience of Latin American countries suggests that the cause of macroeconomic instability often have deep roots in problems of national governance, which cannot always easily be reformed. The aim was to find a competitive exchange rate that may be considered as the source of a country's macroeconomic stability. These reforms were thought to find a non discretional way to adopt this competitive exchange rate and to prevent the political leaders had control over monetary policy with electoral aims.

In sum, macroeconomic stabilization implies clearly interdependence between; trade reform, discipline in fiscal deficits, trade openness and some gradual financial liberalization.

- **Economic Liberalization**

Liberalization involves letting the market set prices lifting restrictions on trade and investment, and lowering or removing barriers to entry to any potential producers. Liberalization introduces competition – providing incentives to producers to respond to present and future consumer demand – replacing central direction with market price signals to dictate the flow of factors of production in an economy. Price liberalization is often one of the first policy changes introduced by reforming governments because in relative terms it is the easiest to implement compared, for example, to ownership and legal reform.

It was often thought that the exchange rate in developing countries, was overvalued and so, fiscal revenues were required to subsidize foreign trade. Devaluation of the overvalued exchange rate or removal of import restrictions on imported inputs into export industries was thought to stimulate exports without the need to reform the structure of foreign trade in non-transition developing countries. To stimulate exports, currency devaluation in these countries had to be accompanied by reform in the conduct of foreign trade and management of foreign exchange, including privatization of international trade. From Washington view, foreign direct investment was a source of exports for developing countries, but in many of them, it was first necessary to relax controls over FDI and to reinforce property rights protection to be more effective in attracting significant amounts of FDI.

Taxes on trade were also an important source of revenue for the state because these taxes were relatively easy to administer. Trade liberalization therefore required policies that replace taxes on trade with other types of taxes that were non-distorting. Non-market state regulation kept many economic activities underground. Besides, liberalizing the domestic economy would bring many previously underground economic activities above ground, which would allow the state to tax them. It was a very simple vision of the situation which responds to a problem constituted with a mix of much more complex elements in the region.

One of the core sense in market oriented reforms involved introducing competitive measures in all economic areas. Entry into many industries was restricted in many developing countries by direct intervention of government officials to protect political constituencies generated around state owned enterprises. Many of these were considered as inefficient firms, but the option of closing down has an obvious adverse impact centrally on state revenues and employment. It was an important issue to consider in economies where there were high rates of underemployment.

Competition policy involves the privatization state owned enterprises, expanding the role of private sector in the industry, with the ultimate aim of replacing the state sector with the private sector as the major producer of wealth and provider of employment. The question of property rights becomes important with privatization. Who have rights to existing state or communal assets? How should these assets be privatised? Most developing countries had weak or non-existent legal frame to asset this process, especially the points related to optimal regulation regimes. This calls for legal reform to protect private property rights, to regulate common assets, and political reform to minimize the usurping of state or collective rights by the privileged and well connected.

As the market replaces the state as the major source of domestic investment, financial reform was required to transform financial institutions from mere instruments of state policy to financial intermediaries that bring savers and investors, including overseas investors, together. New market oriented financial institutions that based their lending on strict economic criteria have to be created; bankers have to acquire new skills and a proper regulatory and enforcement framework governing capital markets established.

– **Decentralization of the State**

One of the central ideas of market-oriented reform was to bring government closer to the people in order to be more efficient in delivering public goods. On one hand, the objective involves promoting the development of civic organizations to improve public participation in economic development. On the other, the objective involves decentralizing state power and resources. Decentralization of state power and resources was supposed to set the supply of public services much more closely with local demands. Washington view emphasized that this kind of policy were an incentive to subnational governments to improve their revenue raising efforts, but the Latin American experience demonstrated that it only increased regional inequality, and worsen local governance (The World Bank 1997: 114-121). Besides negative outcomes in this aspects, those policies intended to decentralized public services, were mainly guided by fiscal aims, meaning, it was only to decentralize public services delivering but not the resources needed to make it efficiently.

- **Institutional Requirement**

The institutional environment is supposed to be the key element to guarantee the success in this process. Institutions are the key elements to provide the basic structure to create order and attempt to reduce uncertainty in exchange. Together with technology employed, they determine transaction and transformation costs and hence the profitability and feasibility in engaging in economic activity. Transaction costs in political and economic markets can result in inefficient property rights, and the interaction between institutions and organizations can produce a lock-in with perverse feedback that accounts for the persistence of inefficiency. Institutions are not usually created to be socially efficient; rather, they (at least the formal rules) are created to serve the interests of those with the bargaining power to devise new rules. If economies realize the gains from trade by creating efficient institutions, it is because the circumstances provided incentives for those with bargaining strength to alter institutions in ways that turn out to be socially efficient (North 1990:16). The current features of political, economic, and military organization, and their maximizing directions are derived from the opportunity set provided by the institutional structure that in turn evolved incrementally (North 1990:118). One gets efficient institutions by a polity which has built-in incentives to create and enforce efficient property rights (North 1990:140).

The approach known as *New Institutional Economics* is important to consider when we want to analyze the reform process in Latin American countries. The experience tells that Latin American leaders were extremely discretional in the former stage of reforms, increasing uncertainty and transaction and transformation costs among relevant actors in the process, eroding efficient outcomes.

Market Institutional Frame

The implementation of this kind of reforms was a dynamic process. It involved first and foremost changing the 'rules of the game' in society, which are 'the humanly devised constraints that shape human interaction' (North 1990: 3). It involved the creation or strengthening of institutions that gave security to private property and contract-based market transaction. The institutional reforms that were required differ from country to country. The importance of market institutions can be gauged from the experience of the first decade of reforms. That experience point to several lessons. First, liberalization of prices and trade brought about beneficial economic effects in those countries where states had the capacity to regulate relations among economic actors and prevent their misuse in asymmetries in economic power (Bruszt 2000, Hellman 1998, Stiglitz 1999). Second, privatization has improved the functioning of the economy in those countries where states had a strong capacity to uphold property rights, maintain the rule of law, create a predictable policy environment, and regulates relations among economic actors (Pistor 1999, Stiglitz 1999). Third, liberalization and privatization have led to economic restructuring and economic growth in those countries that had states with a strong capacity to uphold rights and preserve competition, but only those countries that had states with robust defences against state capture had market preserving and regulative capacities (Bruszt 2000, Hellman 1998).

Fourth, the introduction of even the most extensive regulations did not improve the quality of the markets if the legal effectiveness of the state was low; the use of legal transplants and even introduction of extensive legal reforms were not sufficient in countries with states that had a weak capacity to maintain the rule of law (Pistor 1999, 2000). The most important of all the market infrastructures is security of property rights. Property rights are one of the 'rules of the game' that determine whether a society encourages productive or unproductive entrepreneurship. When private property rights are impeded upon or are inadequately protected, entrepreneurs concentrate their efforts on protecting their existing wealth and redistributing other people's wealth, and neglect production.

Political Institutions

At this point, it is predictable the strong importance of political institutions to be successful in this process. Weak state capacity to reform often has to do with different levels of burocratic, technical and political capacities. Some authors[3] establish a direct connection between weak capacities to reform with problems in political representation structure. In this sense, they remark that there are some characteristics in de political representation structure that gives powerful interest groups easy access to the state. In order to get a wider perspective, we assume that this was feasible not only for the failures in the political representative structure, but also and mainly because institutional weakness, caused by the lack of minimum consensus among the relevant actors in the process.

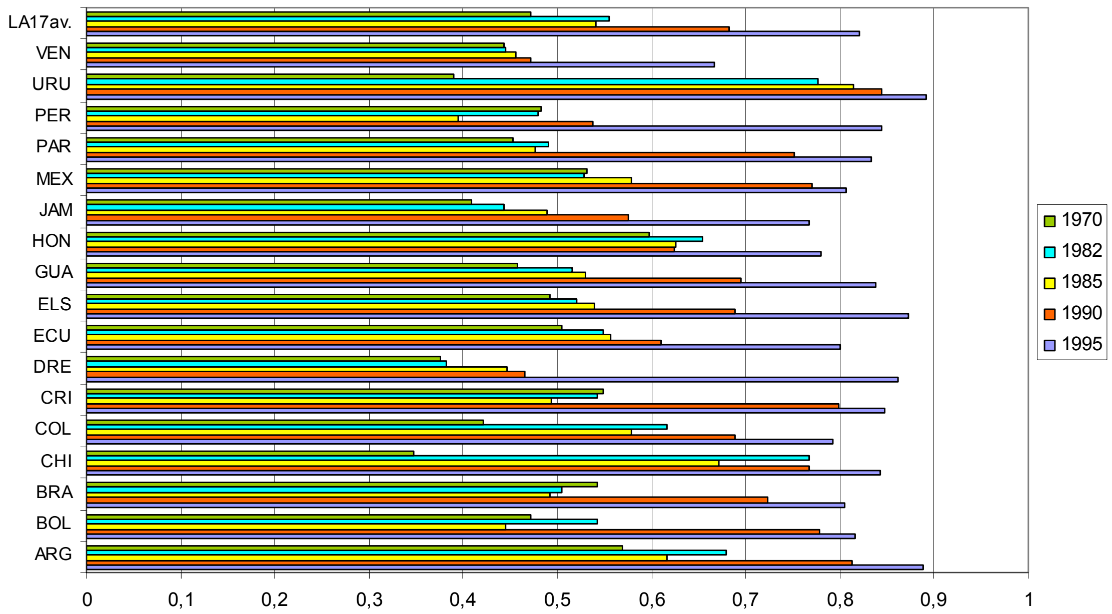
After nearly a decade of the struggle to liberate economic activity from the state, many of these countries now face the question of how to liberate the state captured by powerful interest groups. It is not so accurate to answer this question with the same set of instruments as we liberalized the economy. In this point, a political reform is still pending. The appropriate strategy to change should take into account any way to counterbalance these groups and strength civil society, political regime type and distribution of power within the state. In some countries, strengthening civil society organizations and/or changing the structure of organization of non-state actors like representative organizations of labour and business might be the condition of changing the structure of representation and altering the incentives of non-state actors. In others, the strengthening of the cohesiveness of the bureaucracy and of the judiciary might be the condition of improving state capacities. Changing the distribution of power among the different levels and branches of government might be a harder task to accomplish in many of the developing countries. In sum, economic reforms should have been built on changes in political institutions.

[3] See North, D. *Institutions, Institutional Change and Economic Performance,* New York: Cambridge University Press, 1990.

II. b. Measuring the structural reforms and its sequencing

Although it is usual to identify the nineties as the decade of major implementation of structural reforms, it is possible to recognize some market-orientated reforms since the seventies.

Figure 1
Structural Reform Index (1970-1995)



Source: Morley, Machado, Pettinato (1999).

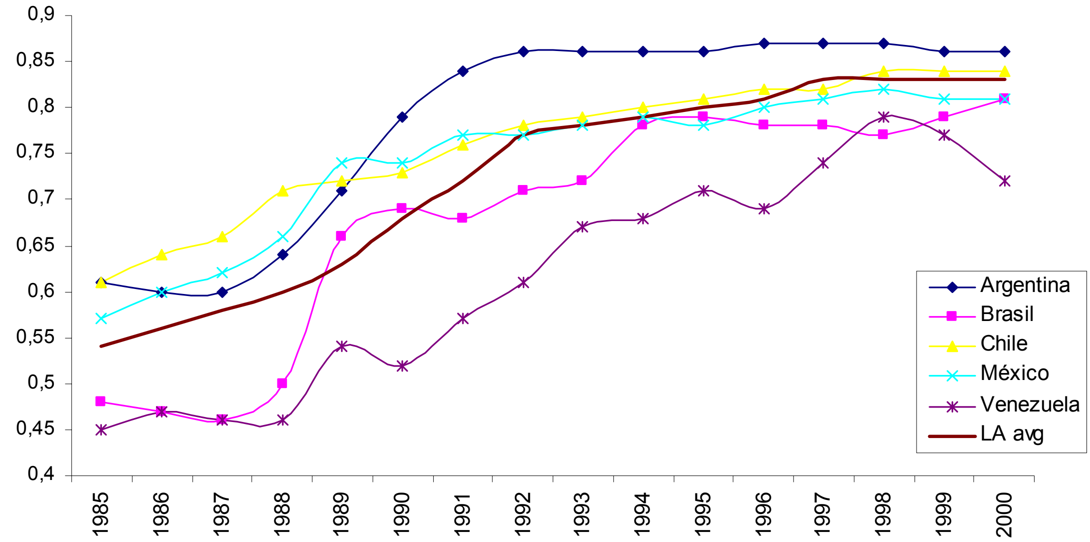
Source: Morley, Machado, Pettinato (1999).

Although the Latin American debt crisis installed the priority of the process of reform in the regional agenda, some earlier reformers implemented policies without considering attempts towards reforms. Chile, Bolivia, and Argentina imposed temporary controls on capital account transactions. Additionally, many countries, increased tariff and non-tariff restrictions on imports. Clearly, the process of financial liberalization was either reversed or stalled, and there was no further progress in either tax reform or the opening of the capital account during this period.

Figure clearly illustrates that the reform process has been anything but uniform across time, area, or country. Some important attempts are recognized in the 1970s in especially in Chile. To identify who were the major reformers in different periods, major reformers, defined arbitrarily as changes in the reform index of more than 50% over a period, only Chile and Uruguay qualify during 1970-1982. Between 1985 and 1990 the significant reformers were Bolivia, Costa Rica and Paraguay. After 1990, Brazil, Peru, the Dominican Republic, and El Salvador all raised their reform index by over 50%. In the remaining countries, either the process of reform was more gradual, or it is because they were already fairly liberalized at the beginning of the 1970s.

The consensus around reforms was shared by most policymakers and analysts in the region, and was fundamentally based on four basic issues. First, macro- economic stability is fundamental for achieving sustainable growth with equity. Second, the Latin economies' massive (and largely unilateral) trade liberalization should help to transform exports into the “engine of growth”. Third, massive privatization and deregulation should the role of markets and competition in development. Fourth, policymakers and political leaders recognize that, to consolidate reforms, the issues of poverty and inequality must be addressed. To this end, new programs targeted at the poorest and at the social sectors were implemented in many countries.

Figure 2: Economic Reform Index, 1985-2000



Source: data from Morley, Machado and Pettinato (1999), Lora (2001).

Around 1985 a far more general and widespread adoption of the structural reform package started and it was significantly accelerated in the 1990s. Countries such as Chile, Argentina, and Mexico, were the leaders in the first generation reforms. These three countries are above the region index average. It is interesting to remark Argentina's performance since the beginnings of the nineties, which situates this country at the top of the ranking level in the region.

- **Trade Liberalization and exchange rate unification.**

The reform process in this area started in the 1970s with significant trade, tax and finance reform in the Southern cone countries. The biggest and earliest changes were in tariffs and trade regimes. Argentina, Chile and Uruguay were the leaders. For example, Chile went from having the second highest level of tariff protection in the region in 1970 to the lowest in 1982. Uruguay lowered its tariff rates by an even greater percentage. But they were not the only countries opening their internal markets. For the seventeen countries for which we have data, average tariffs were cut in half over the 1970s. Similarly, tariff dispersion and non-tariff barriers such as import quotas were also reduced.

After the debt crisis in 1982, there was a temporary reversion in trade liberalization as in other areas of reform, particularly in Chile and Argentina. Quantitative import restrictions were increased until the crisis passed after mid decade. Subsequently, the trade reform process started again. Between the mid-1980s and the beginning of the decade, almost all countries began programs to lift controls on their trade regimes, with reductions of at least 15 points in their average tariff rates, and this process spread to all the remaining countries of the region. The average tariff in the region, which had been 46% in 1985, was reduced to only 12% ten years later. By 1995 no country in the region was using its tariff system to protect domestic industry or to promote particular sectors except for the Brazilian automobile industry. The highest average tariff rate was 18% in the Dominican Republic, and the average variance of tariff rates between products within countries had been reduced from 20% in 1986 to 6.4% in 1995[4].

– **Domestic financial liberalization**

At the beginning of the 1970s government ceilings on interest rates, particularly on loans, were present in most countries in the region. A good deal of credit was allocated by government decision rather than by supply and demand. To try to maintain the financial soundness of the banking system, the Central Bank typically imposed quite high reserve requirements. The net result of all this was what the development literature called financial repression; that is, a system in which savings and financial intermediation were discouraged. Not only was the resulting volume of investment funds likely to be smaller than they would have been in a reformed system they were also likely to be misallocated because of credit controls.

The primary aims of the financial reforms adopted have been to grant greater operating freedom to financial intermediaries and to strengthen prudential regulation mechanisms and oversight. Liberalization has consisted of lowering reserve ratios, eliminating controls on interest rates, and dismantling mechanisms for obligatory investments and mandated lending.

As in the area of trade, financial reforms started first in the 1970s in a few countries, in the case of Colombia, in addition to Chile and Uruguay. Then there was a pause, or even a reversal, for several years after 1982 with the process starting again in most of the countries of the region in the late 1980s and 1990s. During this period, there were two widely accepted reforms: decontrolling interest rates and abandoning directed credit. By 1995 only Venezuela had controls on loan rates, and no country in our sample had them on deposit rates. Information on credit controls is less precise, but clearly the private market, not the government, is now the primary credit allocating agent.

Regulation of the banking and financial system has not advanced at rate similar to the pace of liberalization. This is a highlight to remark the failures in sequence and lack of coordination of reforms. However, experience and repeated financial crises have taught us that financial liberalization, if not accompanied by strengthened regulation of banks, dramatically increases the danger of bank crises. In addition, there are good theoretical reasons why this should happen[5]. Adverse selection, incomplete information about lenders and banks, and ex-post safety nets for banks in crisis have all tended to encourage excessive risk-taking by banks and the banking sector. Consequently, this has led to a series of bank crises which have had a major negative impact on economic development in the region.

– **International Financial Liberalization**

Opening the internal financial market to external capital is more recent, more controversial, and less widespread than the two reforms considered above. There has always been a debate in the literature over the proper sequencing and role of opening economies to trade and foreign capital. Latin American policy makers have reached a clear consensus on the advisability of trade liberalization. There are fewer consensuses on how to treat restrictions or controls on external capital transactions. Partly, this is due to the risks and increased volatility that come with better integration of domestic and foreign capital markets. No one doubts that foreign capital can play a positive role in investment and development. But the rapid inflow of foreign capital, particularly in

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[4] Morley, Machado and Pettinato, *op.cit*.

[5] For an excellent discussion see chap3 in World Bank, *Beyond the Washington Consensus: Institutions Matter* (Washington, 1998).

the 1990s, in addition to increasing the exposure to volatility, have also tended to increase the value of the local currency with deleterious effects on the domestic production of tradable goods[6]. In 1970, all but a couple of Latin American countries maintained a high degree of control over external capital transactions both for their citizens and for foreigners wishing to invest.

Many countries limited the sectors that were open to foreign investors and placed ceilings on the repatriation of interest and dividends. Domestic banks were limited in their ability to borrow abroad; and in most countries, capital outflows required previous authorization of the Central Bank.

Unlike trade and domestic financial reform, opening up external capital transactions did not start in a general way in the 1970s. Argentina, Costa Rica, Honduras, Peru and Venezuela had relatively open systems in 1970. But other than Uruguay, no country made a major opening in its system prior to the 1982 debt crisis. Indeed, in Argentina and Peru, there was a significant increase in governmental control of external financial transactions. Only in the late 1980s did capital account liberalization start in earnest, and even then in only a handful of countries, among them Argentina, Costa Rica and Guatemala. In the 1990s many additional countries adopted this reform. Most of them were smaller economies such as El Salvador, Jamaica and the Dominican Republic. The bigger economies, Brazil, Mexico, Colombia and Chile, all continued to maintain significant controls over foreign capital transactions.

- **Tax reforms**

In this area of reform, two major components have been widely adopted. The first was the value-added tax. Reformers emphasized this tax because they argued that while all taxes have distorting effects on private decisions, these are less with an across the board VAT than for either tariffs or high marginal income tax rates.

In addition, of course, there should be less tax evasion with a VAT than with an income tax based system. The VAT was introduced in the 1970s in nine of the 17 countries for which we have data. In the 1980s the VAT was adopted in all the remaining countries in the region and; in addition, there was an increase in the coverage or efficiency of the VAT in most countries.

A second element of tax reform was the reduction in marginal tax rates on corporate and personal income which significantly reduced the progressivity element of the income tax. Every country in the region has reduced its top marginal tax rate since 1970. Not all have gone as far as Uruguay, which eliminated the personal tax altogether, but overall the average marginal rate on personal income has fallen from around 50% in 1970 to about 25% in 1995. The corporate rate has fallen from 37% in 1970 to 29% in 1995. Almost all these changes have taken place since 1985.

Convergence: Examining the reform process across all countries of the region, one important pattern that can be seen is the degree of convergence over time. Countries that had relatively liberalized economies in 1985 tended to introduce fewer additional reforms, while those that were relatively unreformed in 1985 made a significant effort to catch up over the subsequent decade. Presumably the successes of the early reformers, particularly Chile, Colombia, and Uruguay, were an incentive for others to accelerate their own reform process. By 1995, the main elements of the reform package had been adopted across almost all the countries of the region.

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[6] See Dani Rodrik, "Who Needs Capital Account Convertibility? (Feb, 1998) and Ricardo French Davis and Helmut Reisen (eds) *Flujos de Capital e Inversión Productiva: Lecciones para América Latina*. (McGraw Hill, 1997).

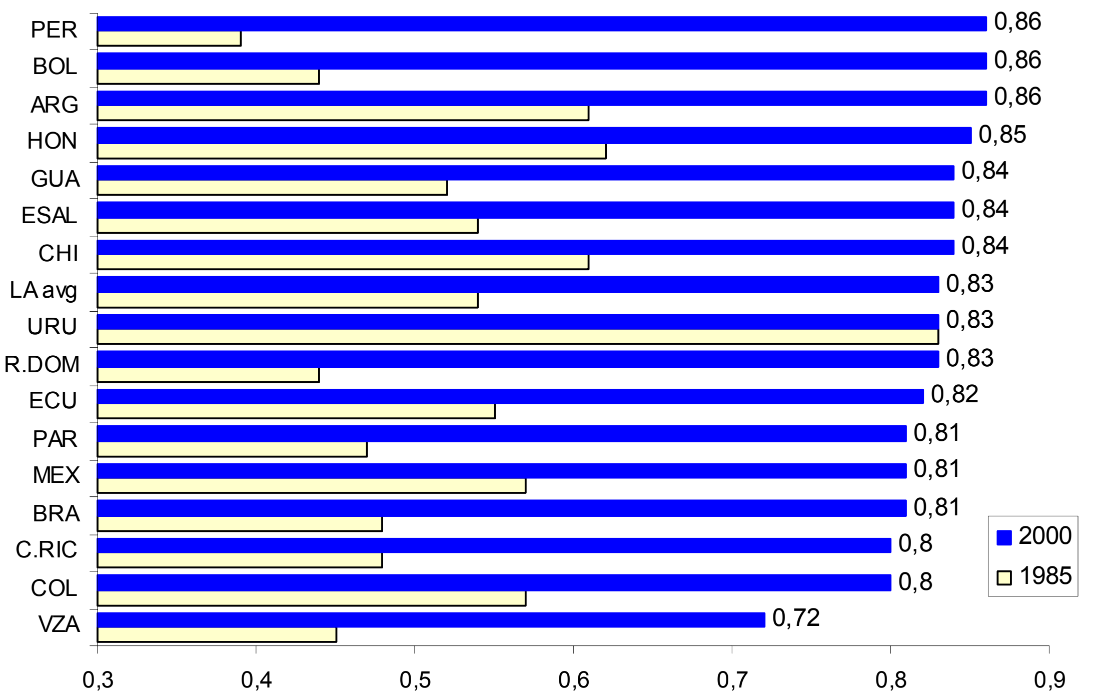
III. The current status of structural reforms

As we were discussing in previous sections, the aim to implement market oriented reform was first, to expand the role of markets and simultaneously to reassess the role of the state. These structural reforms became another element of a strategy that—with financing support from the international financial institutions—would help indebted economies regain access to international capital markets, and the path to sustain growth. But the initial enthusiasm for the so-called first-generation reforms was not matched by results, which did not meet expectations. The region's external debt renegotiations were concluded, and capital flows resumed at the same time as growth became more vigorous. However, growth rates were lower than those recorded in the post–World War II years, and, during the second half of the 1990s, the region once again experienced financial crises that largely reversed earlier gains.

To test how much progress the economic reforms have made, it is important to analyze it not in terms of *results,* but in terms of policy variables such as tariff levels, tax rates or bank reserve coefficients. We prefer to use Lora's indexes (Lora 2002) to evaluate accurately the degree and differences impacts associated with policies.

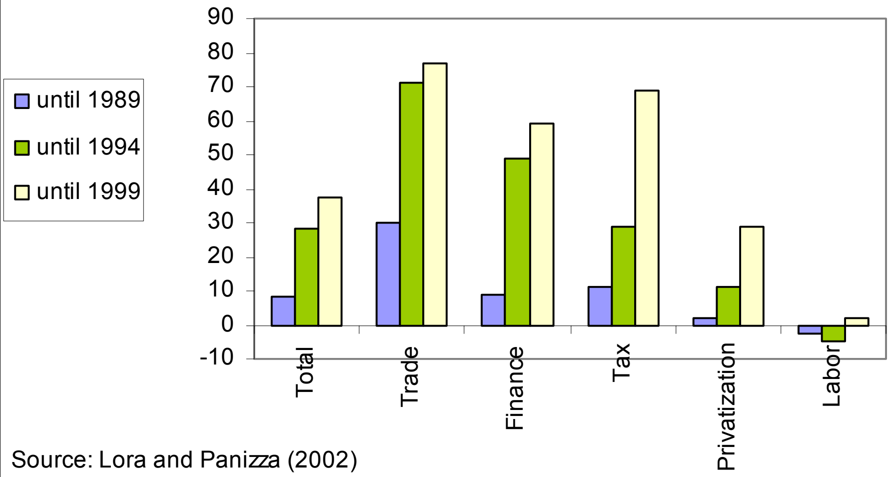
Lora's indexes allow a comparison of various policy areas within a country or of each policy across countries. The overall index is the average of all the areas of reform and provides a measure of the progress of reforms on a scale from 0 to 1. This overall index, calculated for 17 Latin American countries, had risen from 0.34 in 1984 to 0.58 by the late 1990s. This increase is significant in and of itself, yet it also suggests that many countries have a very broad margin of unexploited potential for the introduction of additional reforms. Reforms expanded the most between 1989 and 1994, when an improvement of 0.12 points was registered out of a total increase of 0.24 for the entire period. In any event, progress has been made every year and has affected every country, albeit at different rates. Only a few cases of setbacks have occurred, and they have been small and of short duration.

Figure 3: Structural Reform Index 1985-2000



In figure 3 we compare the index in two 1985 and 2000 to verify the advances in the index for each country. The four countries with the best records in 2000 were Bolivia, Peru, Honduras and Argentina, all of which registered final indicators in excess of 0.60, and which posted a minimum of a 0.20 point improvement above their initial rating. To identify the worst performances since 1985 towards 2000, it is necessary to remark that those countries which register the lesser variation in the index are well ranked in 1985. These are the cases of Uruguay, Honduras, Chile and Argentina. Besides, Venezuela is the only country whose indicator range below 0.8, then all Latin American countries ranked register final indicators over 0.80 by 2000, which means a strong advance in the extension of structural reforms in the region; this is demonstrated by the variation registered in Latin American average, which was 0.29.

Figure 4: Progress of reform in Latin America (Margin put to use)



Source: Lora and Panizza (2002)

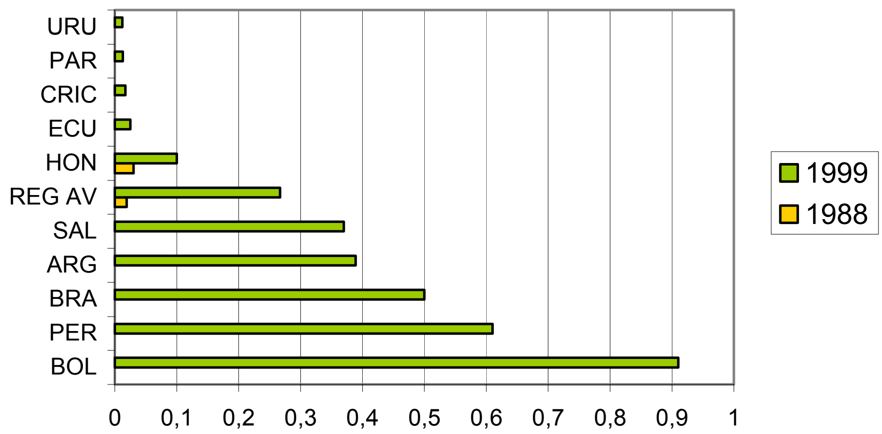
Progress in other areas of reform has proved to be more illusive, particularly tax reform. Due to the heterogeneous nature of national tax systems[7] and the distinct tax revenue needs of several countries, arising from historical factors or the presence of other sources of state revenues, this indicator does not admit the kind of progress comparable to that achieved in trade and financial reforms. One major area of progress has been the reduction of high marginal income tax rates for both individuals and businesses, which were extremely high in the 1980s. (Today, the maximum income tax rate in most countries ranges from 25% to 35%.) Another major step forward, as we exposed in previous section, was the introduction of value-added taxes, with largely uniform rates in most countries.

In privatization, wide variations from one country to another have yielded an average for the region that suggests limited progress. Even so, this is the single area in which the pace of reform quickened after 1995, in contrast to earlier years. The greatest progress was made in Bolivia, Peru, Brazil, Argentina, and El Salvador[8], where indices range from 0.35 to 0.90; the most modest progress was in Honduras, Ecuador, Costa Rica, Paraguay, and Uruguay, all of which rank below 0.10.

[7] For example, in the matter of the maximum individual income tax rate, the highest level encountered is 73% (in the Dominican Republic in the 1980s); the lowest is currently found in Paraguay and Uruguay where there is no income tax on individuals, and the norm is 30%.

[8] It is important to note that although there are important differences between Lora's privatization index, and Morley privatization index, we use Morley's to measure the attempt to reform in the seventies, and Lora's to test the advance in the nineties.

Figure 5: Privatization Index (best and worst records in 1999)



Source: Lora (2001)

In summary, the structural reform process has been incomplete and quite uneven, both across countries and across areas of reform. The greatest advances occurred in the early 1990s in the areas of trade liberalization and financial market reforms. The impact of these two areas of reform has been both profound and far-flung, encompassing every country in the region. Consequently, it is hardly surprising that these reforms have since lost much of their original momentum. The results in the areas of tax reform and privatization have been uneven. There has been progress in every country, but to very different degrees. The tax area has seen some mild setbacks in recent years. (The reforms are still in effect, but collection activities are in need of improvement, even if it comes at the cost of tax neutrality.) On the other hand, privatization increased in the mid-1990s, and even in the past two years has found a more solid footing in several countries. Labor reforms are the only area in which progress has been quite limited both in degree and in the small number of countries where it has occurred.

However, dissatisfaction has intensified and become more widespread in a context of low growth and efforts to reduce the enormous economic inequalities in the region proving unsuccessful. Dissatisfaction with economic performance has led to disenchantment with economic reform and even with democracy. The Latinobarómetro survey (Lora and Panizza, 2002) found that about two-thirds of those surveyed in 17 countries of the region in 2001 were dissatisfied with the results of democracy and felt that their country had not benefited from privatization.

This may well undermine the possibilities to a redefinition of a new reform agenda focalized in making the economies more efficient and equitable. A reassessment of why reform has so far yielded such poor results is therefore in order so that steps can be taken toward building the necessary consensus on the outstanding tasks of formulating and implementing policies for restoring growth

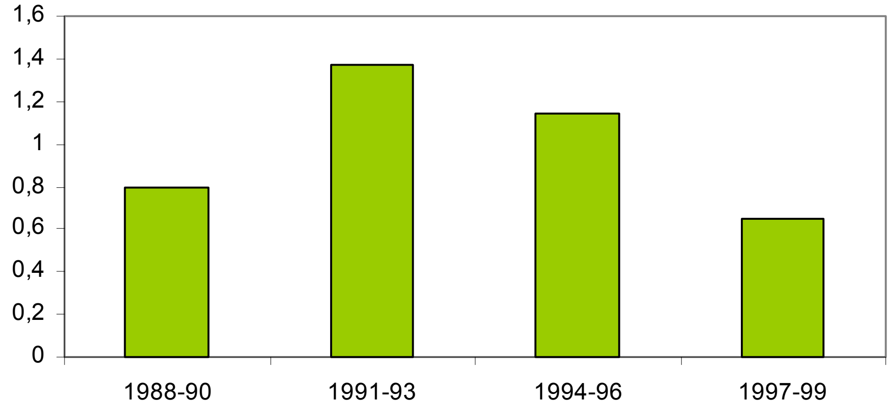
The disillusionment of Latin Americans with structural reform has coincided with a time of economic stagnation and outright recession in some countries. For many observers, the situation today is proof enough that reforms have been ineffective. Analysts and academics have not reached a definitive conclusion, since factors other than the reforms influence economic performance. Also under discussion is whether the effects of the reforms are permanent or temporary, and whether they are dependent on the individual circumstances in each country, particularly the nature and quality of public institutions.

The Economic Impact of Reforms

The prevailing view on the effects of reforms was very optimistic until a few years ago. Three papers representative of that view were Easterly, et al (1997), Fernández-Arias and Montiel (1997) and Lora and Barrera (1997). For instance, using the indices of reform described above, Lora and Barrera found that the reforms had an important and permanent impact on growth, productivity, and investment. Their estimates were that the economic reforms implemented until the mid-nineties accelerated Latin America's growth rate by 1.9 percentage points (or up to 2.2 percentage points once the impact of macroeconomic stabilization policies was included). These estimates were roughly consistent with those of other authors, both for the region as a whole and for specific countries (as shown in IDB, 1997 and World Bank, 2001a).

More recent studies have shown less encouraging effects. Escaith and Morley (2001), who used a modified version of the same indexes and a longer period of analysis, also found a positive effect, but a much smaller and less robust one than those of earlier papers. Furthermore, they found that although some reforms were growth-promoting, others were deleterious to growth. Using updated empirical data, we can remark that reforms had only a temporary effect on growth. Lora and Pannizza´s estimates imply that in the period of fastest reform, 1991-3, reforms accelerated annual growth by 1.3 percentage points. However, when the reform process started decelerating, the growth effect dropped substantially, and in the period from 1997 to 1999 it accounted for only 0.6 percentage points of additional growth (with respect to a hypothetical situation in which no additional reforms are undertaken; see Figure 6). The new results also confirm the importance of macroeconomic stability.

Figure: 6: Reforms Effects on Growth (LAavg)

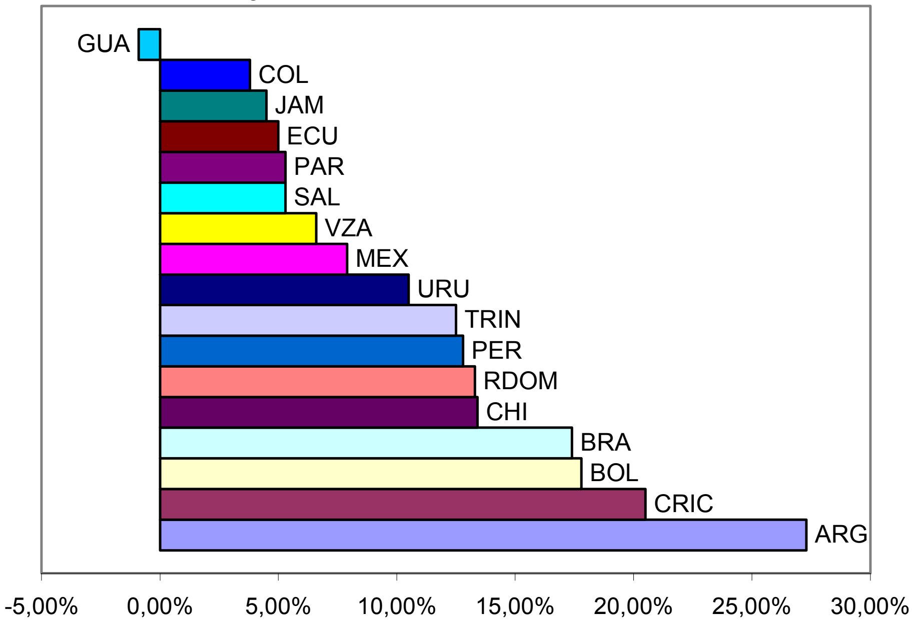


Source: Lora and Panizza(2002)

Notwithstanding their temporary nature, the figure 7 indicates that by accumulating the transitory effect of the reform process, per capita income in Latin America is 11 percent higher than it would have been without reforms. Our estimations indicate that the only channel through which reforms affected growth was by increasing total factor productivity. We find no significant effect of structural reforms on physical capital accumulation.

An important message is that the effect of reforms on growth and productivity is higher in countries with better institutional environments. In particular, our results indicate that reforms are more effective in countries with good rule of law. (This factor is especially important for the success of financial reforms, as mentioned below.) Taking into account the extent of reforms and the reinforcing role of institutions, the countries that most benefited from the process of reform between the mid-eighties and the end of the nineties were Argentina, Costa Rica, Bolivia, and Brazil, with cumulative income gains between 27 percent and 17 percent. In contrast, the benefits for Colombia, Ecuador, El Salvador, Jamaica and Paraguay were quite scant or even slightly negative (Guatemala).

Figure 7: Cumulative Effect of Reforms



Source: Lora and Panizza (2002)

While most economists tend to agree that most of the structural reforms described above tend to increase average income, those who criticize these kinds of reforms emphasize their distribution consequences and claim that they generate a pattern of economic growth that only benefits the richest segments of the population[9]. The two opposing views are well summarized by the following two passages[10]:

> Growth really does help the poor: in fact it raises their income by about as much as it raises the income of everybody else... In short globalization raises incomes and the poor participate fully (*The Economist*, May 27, 2000: 94).
>
> There is plenty of evidence that current patterns of growth and globalization are widening income disparities and hence acting as a brake on poverty reduction (Justin Forsyth, Oxfam Policy Director, Letter to *The Economist*, June 20, 2000).

The fact that economic reforms (especially trade openness) may increase inequality in developing countries seems to go against standard economic theory (or at least economic theory rooted in the simplest version of the Heckscher-Ohlin model of international trade) that suggests that trade openness should increase the income accruing to the relatively abundant factor of production. Given that most developing countries are abundant in unskilled labor, which is also the factor of production controlled by the poor, one would expect trade openness to improve income distribution and hence improve the relative (and not only the absolute) well-being of the poor. However, the distributional effect of reforms is extremely complex. In some

[9] Given that some reforms emphasize greater international trade and capital account openness, very often the process of reform is identified with the term "globalization."
[10] Both quotes are from Ravaillon (2001).

countries external tariffs focused on labor intensive products (as in the case of Mexico, Hanson and Harrison, 1999); in other countries the most abundant factor of production is land or natural resources. Finally, financial liberalization may lower the relative price of capital goods and hence favour more capital intensive techniques that lower demand for unskilled work (World Bank, 2000: Chapter 4).

IV. Preliminary Conclusion

Lessons Learned

It is fair to conclude that while the literature on economic reforms has found that they do affect growth and productivity, it has also found that the economic impact of reforms has been lower than expected, that economic reforms are not distribution neutral and that they do generate winners and losers.

It could be accepted that structural reforms are a necessary but not sufficient condition to improve the economic well-being of the poor. We still have to discuss if they are a necessary condition to poverty alleviation.

Structural reforms are not sufficient to raise growth to levels comparable to those of the fastest growing developing countries. The IDB (1997) estimated that by completing its process of structural reform, Latin America could increase its growth rate by anything between 1.2 and 1.7 percentage points. If we add this to the average per capita growth in the last decade of 1.5 percent, we obtain a growth rate of 3 percent. Even at this rate (which successive research suggests may be rather optimistic, especially due to the temporary nature of the effects of reform), it would take the region 50 years to reach an average level of income per capita similar to that of the OECD countries. If the benchmark is the growth rate enjoyed by South- East Asian countries, economic reforms are clearly not sufficient to guarantee a brighter future to Latin America.

Not all pro-market reforms are successful. In a context of volatile terms of trade and capital flows, the liberalization of capital flows can generate instability when implemented in an environment characterized by unsustainable macroeconomic policies and an inadequate supervisory and regulatory framework.[11] There is also agreement that while some responsibility lies within the countries, the international financial architecture must also be reformed in order to limit sudden stops in capital flows and financial contagion.

Although some literature discusses the idea that setting institutional environment is a *key requisite* to guarantee success in this process, the evidence shows that reforms (especially financial reforms and privatization) are more effective when based on good public institutions. There are at least three reasons why that is so. First of all, institutions play a key role in determining transaction costs and therefore good institutions facilitate market exchange. Second, institutions allow society to overcome collective action problems. Finally, good institutions help in setting up a system of incentives under which individuals find it convenient to be involved in productive rather than distributive actions[12].

There are no “one-size-fits-all” reforms. Economic reforms must be adapted to local conditions. Reforms that are imposed from outside and transplanted without taking into account local conditions may destroy institutions that generate mechanisms of social identification and social protection. This issue can explain the regional asymmetry

[11] For instance, IMF (2001, Chap. IV) that shows that, without proper financial supervision and in the presence of macroeconomic imbalances, financial liberalization can increase macroeconomic instability.
[12] For a more encompassing view of the influence of institutions on development see Knack and Keefer (1995), Burki and Perry (1997), Hall and Jones (1999), Kaufmann et al (1999), and Acemoglu et al. (2001).

After a decade of structural reform, the region shows a very heterogeneous socioeconomic scenario. There are important variations in GDP among the countries in the region. For instance, whereas Argentina scores 6550 current dollars in per capita GDP for the years 1998, 2001, 2002 (average), Bolivia registers 943 dollars in the same years. (See appendix)

The economic growth of South America during the 1980s was 1.69%, while the world grew at 3.02%, Asia Pacific at 7.39$, and South Asia at 5.79%. During the 1990s, however, South America grew faster (3.14%) than the world as a whole (2.56%). Nevertheless, the region could not catch up with the Asian growth rates.

As for urban poverty, Chile showed the best performance in the region in the last twenty years: the number of poor homes in Chile decreased from 38% to 16%. Uruguay did not improve significantly in the last twenty years, but it remains the country with the least proportion of poor homes.

Argentina represents the opposite example, moving from the best position in terms of poverty in the 1980s (7%), to a much more average position by the end of the century (35%). In fact, Argentina shows the worst performance in the region for the last twenty years.

Most countries in the region showed regressive records in income distribution, except for Brazil, who mildly reduced its income inequality. Again, Argentina is the outstanding case with an increase in the Gini coefficient of 18.3%, in the last decade. This implies a convergence in the region towards high levels of inequality. Chile and Brazil record the worst figures.

Some data from Latin American countries indicate divergences in relevant areas. Argentina is a remarkable case for its poor performances in socioeconomic indicators since 1980. Poverty and indigence, unemployment and income distribution have reached the lowest range during last decade. Despite this data, Argentina is still well ranked in development indicators.

Despite of economic reforms, Bolivia is still the least developed country in the region. This country's advances were very poor even for the regional standards. It is often presented as a dramatic case by the neighbouring countries, because of its poor performance in socioeconomic and development indicators.

Even though Brazil is the biggest economy in Latin America, it is far from being the most developed in the region. Despite this, we can observe it showed some progress in some indicators since 1980, such as poverty and income distribution.

Chile is the most remarkable case in terms of the success of economic reforms. This country registers the best performance in economic and social development. However, it has fallen behind in terms of income distribution.

Uruguay remains one of the most developed countries. Its economy shows healthy indicators on income distribution and human capital. Finally, Venezuela found its social and economic situation deteriorated in the last decade. For being top of the list in the 1980s, it came down to an average performance, exactly as Argentina did.

As for the conditions that make the reformist process successful, data show that the impact on growth and productivity has been greater in those countries with a more developed institutional background. However, this finding did not attract international attention but at later stages. Differences within the region account for the influence of national contexts, the actors that promoted reforms, and the resources employed in their implementation. The success or failure of neutralizing veto-players at the national level is also a fact that helps understand regional divergences. As a consequence, the challenge for the coming years will have to do with deepening those measures aimed at rebuilding the institutional bases of the State, strengthening the capacity to govern efficiently. This involves the institutionalization of optimal regulatory frameworks that do not discourage investment decisions or the free operation of the market. But the challenge will also call for the reconstruction of stable governing coalitions with enough resources to make the "new reformist agenda" a more consensual approach and one sustainable in the long-run

In fact, it is clear the region need to widen the reform agenda to include reforms that can integrate at the same time, macroeconomic stabilization goals, with policies aimed to reduce poverty, exclusion, and to strength the democracy mechanisms in order to ensure accountability and transparency within the decision making process.

Appendix[13]
Elements of Economic reforms

Tables

Economic Reform Index (from Morley, Machado and Pettinato (1999), Lora (2001).

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Argentina	0,61	0,6	0,6	0,64	0,71	0,79	0,84	0,86	0,86	0,86	0,86	0,87	0,87	0,87	0,86	0,86
Bolivia	0,44	0,55	0,65	0,64	0,62	0,77	0,78	0,8	0,8	0,82	0,8	0,83	0,87	0,87	0,85	0,86
Brasil	0,48	0,47	0,46	0,5	0,66	0,69	0,68	0,71	0,72	0,78	0,79	0,78	0,78	0,77	0,79	0,81
Chile	0,61	0,64	0,66	0,71	0,72	0,73	0,76	0,78	0,79	0,8	0,81	0,82	0,82	0,84	0,84	0,84
Colombia	0,57	0,57	0,65	0,59	0,67	0,68	0,65	0,74	0,75	0,7	0,78	0,78	0,78	0,8	0,79	0,8
Costa Rica	0,48	0,51	0,65	0,59	0,67	0,68	0,65	0,74	0,75	0,7	0,78	0,78	0,78	0,8	0,79	0,8
Ecuador	0,55	0,54	0,54	0,54	0,56	0,6	0,61	0,75	0,76	0,77	0,77	0,78	0,79	0,79	0,8	0,82
El Salvador	0,54	0,54	0,54	0,54	0,55	0,69	0,76	0,81	0,84	0,84	0,85	0,84	0,84	0,85	0,84	0,84
México	0,57	0,6	0,62	0,66	0,74	0,74	0,77	0,77	0,78	0,79	0,78	0,8	0,81	0,82	0,81	0,81
Venezuela	0,45	0,47	0,46	0,46	0,54	0,52	0,57	0,61	0,67	0,68	0,71	0,69	0,74	0,79	0,77	0,72
Guatemala	0,52	0,62	0,65	0,68	0,68	0,68	0,81	0,82	0,83	0,83	0,82	0,85	0,86	0,87	0,85	0,84
Honduras	0,62	0,62	0,61	0,62	0,62	0,62	0,65	0,73	0,75	0,76	0,78	0,8	0,82	0,86	0,87	0,85
Paraguay	0,47	0,55	0,55	0,56	0,59	0,75	0,74	0,8	0,81	0,82	0,82	0,82	0,82	0,81	0,81	0,81
Rep. Domin	0,44	0,43	0,44	0,43	0,43	0,46	0,61	0,7	0,74	0,79	0,85	0,85	0,85	0,86	0,85	0,83
Uruguay	0,83	0,77	0,79	0,79	0,8	0,79	0,8	0,8	0,8	0,81	0,82	0,81	0,84	0,83	0,83	0,83
America Latina	0,54	0,56	0,58	0,6	0,63	0,68	0,72	0,77	0,78	0,79	0,8	0,81	0,83	0,83	0,83	0,83

Source: PNUD, *La Democracia en América Latina, hacia una democracia de ciudadanos y ciudadanas.* Publicado para el Programa de las Naciones Unidas Para el Desarrollo (PNUD). 2004

[13] To see Methodological notes, Morley, Machado and Pettinato, *Indexes of structural reform in Latin* America, ECLAC, LC/L.1166, January 1999.

Commercial Index

	ARG	BOL	BRA	CHI	COL	COR	DRE	ECU	ELS	GUA	HON	JAM	MEX	PAR	PER	URU	VEN	av. LA17
1970	0.546	0.644	0.493	0.126	0.635	0.511	0.380	0.516	0.674	0.522	0.543	0.717	0.714	0.473	0.516	0.000	0.506	0.501
1971	0.546	0.644	0.525	0.184	0.638	0.511	0.380	0.523	0.667	0.533	0.576	0.717	0.745	0.477	0.506	0.000	0.506	0.511
1972	0.520	0.644	0.583	0.237	0.640	0.527	0.380	0.530	0.660	0.542	0.609	0.717	0.776	0.481	0.497	0.000	0.506	0.521
1973	0.493	0.793	0.583	0.280	0.648	0.530	0.380	0.538	0.673	0.543	0.639	0.717	0.810	0.485	0.481	0.000	0.506	0.535
1974	0.469	0.793	0.502	0.555	0.746	0.529	0.380	0.546	0.686	0.543	0.664	0.717	0.844	0.489	0.481	0.000	0.525	0.557
1975	0.445	0.793	0.466	0.685	0.739	0.527	0.380	0.554	0.699	0.543	0.687	0.717	0.880	0.493	0.481	0.000	0.545	0.567
1976	0.425	0.793	0.448	0.818	0.731	0.526	0.348	0.562	0.713	0.543	0.710	0.717	0.907	0.497	0.481	0.000	0.566	0.576
1977	0.737	0.793	0.499	0.919	0.737	0.524	0.315	0.570	0.726	0.543	0.733	0.717	0.926	0.502	0.481	0.006	0.589	0.607
1978	0.745	0.793	0.499	0.956	0.739	0.522	0.283	0.579	0.740	0.543	0.756	0.717	0.880	0.506	0.481	0.205	0.613	0.621
1979	0.753	0.793	0.467	0.974	0.753	0.521	0.250	0.588	0.755	0.543	0.779	0.717	0.862	0.511	0.678	0.535	0.644	0.654
1980	0.768	0.793	0.467	0.974	0.757	0.519	0.217	0.597	0.769	0.543	0.802	0.717	0.844	0.515	0.730	0.570	0.665	0.662
1981	0.785	0.810	0.430	0.974	0.737	0.517	0.185	0.606	0.784	0.543	0.825	0.717	0.827	0.520	0.750	0.566	0.685	0.662
1982	0.801	0.827	0.439	0.974	0.722	0.516	0.152	0.615	0.799	0.543	0.848	0.696	0.818	0.525	0.711	0.627	0.707	0.666
1983	0.753	0.844	0.439	0.926	0.706	0.514	0.261	0.625	0.815	0.543	0.761	0.674	0.801	0.525	0.678	0.658	0.729	0.662
1984	0.644	0.862	0.439	0.880	0.613	0.513	0.261	0.634	0.831	0.543	0.728	0.652	0.785	0.525	0.578	0.729	0.760	0.646
1985	0.810	0.880	0.485	0.835	0.555	0.511	0.235	0.644	0.853	0.543	0.696	0.625	0.760	0.521	0.561	0.776	0.793	0.652
1986	0.729	0.905	0.493	0.929	0.710	0.652	0.209	0.626	0.853	0.679	0.658	0.625	0.824	0.866	0.574	0.758	0.729	0.695
1987	0.713	0.919	0.566	0.945	0.705	0.804	0.183	0.632	0.853	0.815	0.646	0.656	0.887	0.866	0.557	0.793	0.717	0.721
1988	0.701	0.936	0.640	0.960	0.699	0.823	0.157	0.636	0.868	0.834	0.638	0.692	0.954	0.866	0.541	0.828	0.705	0.734
1989	0.795	0.948	0.705	0.961	0.774	0.842	0.130	0.700	0.884	0.853	0.632	0.728	0.953	0.880	0.552	0.838	0.782	0.762
1990	0.890	0.961	0.770	0.961	0.849	0.861	0.257	0.765	0.900	0.872	0.674	0.765	0.953	0.895	0.563	0.848	0.858	0.803
1991	0.909	0.975	0.822	0.972	0.900	0.880	0.384	0.861	0.917	0.891	0.717	0.801	0.954	0.927	0.745	0.886	0.905	0.850
1992	0.929	0.988	0.874	0.984	0.952	0.899	0.511	0.955	0.933	0.910	0.761	0.837	0.953	0.958	0.929	0.918	0.952	0.897
1993	0.914	0.988	0.905	0.984	0.953	0.918	0.638	0.956	0.950	0.929	0.804	0.873	0.952	0.962	0.935	0.928	0.952	0.914
1994	0.898	0.988	0.936	0.984	0.953	0.938	0.765	0.953	0.968	0.948	0.848	0.909	0.951	0.965	0.941	0.937	0.951	0.931
1995	0.934	0.988	0.930	0.984	0.952	0.960	0.893	0.953	0.958	0.970	0.892	0.951	0.909	0.957	0.941	0.957	0.950	0.946

av 70-95	0.717	0.850	0.593	0.806	0.752	0.650	0.343	0.664	0.805	0.668	0.716	0.734	0.864	0.661	0.630	0.514	0.706	0.687

Financial Reform Index

	ARG	BOL	BRA	CHI	COL	CRIC	R.DOM	ECU	ELSAL	GUA	HON	JAM	MEX	PAR	PER	URU	VZA	AV
1970	0,309	0,25	0,3	0,59	0,265	0,28	0,218	0,252	0,25	0,278	0,632	0,316	0,3	0,226	0,3	0,288	0,295	0,315
1971	0,29	0,25	0,29	0,53	0,271	0,28	0,215	0,249	0,26	0,281	0,631	0,315	0,3	0,221	0,3	0,262	0,286	0,308
1972	0,309	0,27	0,3	0,5	0,274	0,28	0,239	0,25	0,26	0,274	0,64	0,317	0,27	0,222	0,29	0,24	0,288	0,307
1973	0,038	0,24	0,3	0,42	0,266	0,29	0,241	0,244	0,26	0,278	0,644	0,31	0,25	0,224	0,31	0,264	0,283	0,286
1974	0,045	0,25	0,31	0,47	0,271	0,29	0,224	0,244	0,26	0,278	0,643	0,309	0,25	0,227	0,3	0,258	0,284	0,289
1975	0	0,25	0,32	0,8	0,601	0,29	0,263	0,241	0,26	0,276	0,638	0,314	0,24	0,228	0,32	0,266	0,295	0,329
1976	0,003	0,24	0,3	0,86	0,596	0,29	0,261	0,241	0,25	0,256	0,644	0,308	0,44	0,229	0,29	0,263	0,289	0,339
1977	0,559	0,25	0,29	0,87	0,592	0,28	0,248	0,242	0,26	0,265	0,64	0,312	0,39	0,229	0,29	0,257	0,291	0,368
1978	0,609	0,26	0,29	0,91	0,884	0,3	0,243	0,241	0,28	0,275	0,636	0,293	0,39	0,228	0,29	0,957	0,296	0,434
1979	0,64	0,27	0,29	0,93	0,874	0,27	0,25	0,249	0,28	0,281	0,636	0,307	0,39	0,23	0,26	0,985	0,294	0,438
1980	0,649	0,27	0,28	0,95	0,892	0,28	0,269	0,252	0,27	0,291	0,642	0,273	0,39	0,236	0,24	0,987	0,302	0,439
1981	0,641	0,27	0,29	0,97	0,904	0,25	0,244	0,262	0,27	0,294	0,642	0,3	0,39	0,225	0,25	0,988	0,297	0,441
1982	0,458	0,23	0,29	0,99	0,91	0,27	0,257	0,271	0,27	0,287	0,646	0,332	0,19	0,232	0,25	0,963	0,302	0,421
1983	0,48	0,21	0,3	0,9	0,919	0,28	0,251	0,275	0,27	0,299	0,657	0,31	0,52	0,214	0,24	0,904	0,29	0,43
1984	0,549	0,19	0,3	0,9	0,921	0,27	0,254	0,263	0,28	0,292	0,651	0,41	0,54	0,215	0,23	0,922	0,3	0,441
1985	0,568	0,1	0,31	0,89	0,92	0,25	0,266	0,276	0,28	0,281	0,65	0,605	0,57	0,221	0,2	0,925	0,301	0,448
1986	0,624	0,25	0,3	0,89	0,585	0,25	0,248	0,273	0,3	0,277	0,652	0,577	0,6	0,21	0,23	0,901	0,306	0,439
1987	0,647	0,3	0,19	0,9	0,917	0,58	0,286	0,284	0,28	0,282	0,656	0,588	0,63	0,201	0,24	0,89	0,31	0,482
1988	0,979	0,29	0,31	0,98	0,584	0,9	0,243	0,272	0,28	0,274	0,65	0,581	0,61	0,197	0,25	0,892	0,308	0,505
1989	0,905	0,26	0,98	0,99	0,916	0,9	0,258	0,271	0,28	0,278	0,645	0,571	0,98	0,232	0,28	0,897	0,637	0,605
1990	0,945	0,97	0,97	0,99	0,913	0,9	0,273	0,291	0,93	0,274	0,649	0,58	0,99	0,925	0,26	0,886	0,604	0,725
1991	0,951	0,95	0,97	0,98	0,578	0,88	0,914	0,291	0,93	0,942	0,641	0,933	0,99	0,933	0,94	0,913	0,591	0,843
1992	0,966	0,97	0,98	0,98	0,918	0,89	0,936	0,955	0,93	0,951	0,97	0,918	0,99	0,932	0,93	0,922	0,605	0,926
1993	0,964	0,96	0,98	0,98	0,922	0,9	0,93	0,964	0,92	0,942	0,983	0,926	1	0,934	0,93	0,922	0,617	0,928

1994	0,972	0,98	0,96	0,98	0,6	0,89	0,942	0,978	0,92	0,956	0,978	0,928	1	0,933	0,93	0,937	0,589	0,91
1995	0,986	0,97	0,97	0,98	0,95	0,86	0,944	0,98	0,93	0,928	0,971	0,925	0,95	0,926	0,93	0,943	0,612	0,927
70-95	0,58	0,41	0,48	0,85	0,702	0,48	0,381	0,37	0,42	0,407	0,695	0,495	0,56	0,386	0,4	0,724	0,38	0,512

Capital Account Liberalization Index

	ARG	BOL	BRA	CHI	COL	C.RIC	R.DOM	ECU	E.SAL	GUA	HON	JAM	MEX	PAR	PER	URU	VZA	LA av
1970	1.000	0,811	0,638	0,417	0,198	0,875	0,329	0,619	0,401	0,394	0,716	0,561	0,733	0,436	0,774	0,596	0,911	0,588
1971	1.000	0,82	0,62	0,334	0,22	0,85	0,33	0,59	0,4	0,45	0,716	0,54	0,73	0,45	0,6	0,596	0,9	0,574
1972	1.000	0,84	0,6	0,311	0,23	0,82	0,33	0,56	0,39	0,5	0,716	0,52	0,74	0,46	0,5	0,596	0,9	0,545
1973	0,42	0,86	0,58	0,311	0,25	0,79	0,33	0,53	0,38	0,55	0,716	0,5	0,74	0,47	0,4	0,596	0,89	0,508
1974	0,42	0,88	0,55	0,436	0,27	0,76	0,33	0,5	0,37	0,6	0,716	0,48	0,75	0,48	0,35	0,73	0,89	0,52
1975	0,423	0,883	0,526	0,461	0,288	0,732	0,329	0,483	0,365	0,655	0,716	0,454	0,763	0,503	0,34	0,729	0,887	0,543
1976	0,42	0,88	0,52	0,525	0,288	0,76	0,31	0,51	0,38	0,655	0,716	0,48	0,76	0,503	0,32	0,729	0,87	0,547
1977	0,42	0,87	0,51	0,589	0,288	0,79	0,29	0,54	0,4	0,655	0,716	0,51	0,75	0,503	0,3	0,729	0,86	0,552
1978	0,6	0,87	0,5	0,653	0,288	0,83	0,27	0,57	0,42	0,655	0,716	0,54	0,75	0,503	0,27	0,729	0,84	0,567
1979	0,7	0,86	0,48	0,731	0,288	0,86	0,25	0,61	0,42	0,655	0,716	0,57	0,74	0,61	0,24	0,729	0,82	0,559
1980	0,8	0,859	0,464	0,76	0,27	0,893	0,24	0,649	0,436	0,655	0,716	0,598	0,739	0,611	0,216	0,729	0,798	0,567
1981	0,8	0,86	0,46	0,774	0,33	0,89	0,4	0,7	0,49	0,65	0,716	0,7	0,74	0,611	0,31	0,8	0,8	0,602
1982	0,8	0,86	0,46	0,793	0,36	0,89	0,56	0,72	0,51	0,65	0,716	0,74	0,74	0,611	0,31	0,8	0,8	0,617
1983	0,38	0,6	0,41	0,484	0,36	0,68	0,56	0,72	0,51	0,55	0,716	0,74	0,62	0,611	0,31	0,8	0,78	0,539
1984	0,376	0,586	0,411	0,484	0,365	0,667	0,561	0,721	0,507	0,547	0,716	0,746	0,626	0,62	0,311	0,8	0,78	0,539
1985	0,4	0,59	0,42	0,48	0,37	0,67	0,57	0,73	0,507	0,55	0,725	0,76	0,65	0,62	0,311	0,8	0,78	0,545
1986	0,4	0,8	0,43	0,5	0,4	0,7	0,58	0,74	0,507	0,95	0,734	0,78	0,65	0,62	0,311	0,8	0,78	0,584
1987	0,4	0,93	0,44	0,52	0,41	0,8	0,59	0,75	0,507	0,96	0,744	0,8	0,68	0,62	0,311	0,8	0,78	0,603
1988	0,4	0,93	0,45	0,53	0,42	0,85	0,6	0,76	0,507	0,97	0,753	0,82	0,7	0,62	0,311	0,8	0,78	0,612
1989	0,7	0,93	0,46	0,55	0,43	0,9	0,61	0,77	0,507	0,98	0,763	0,84	0,79	0,77	0,311	0,8	0,78	0,649
1990	0,821	0,93	0,461	0,567	0,454	1.000	0,608	0,799	0,507	0,982	0,773	0,857	0,786	0,774	0,631	0,8	0,781	0,683
1991	0,95	0,92	0,48	0,6	0,55	1.000	0,61	0,81	0,85	0,97	0,802	0,9	0,8	0,77	0,85	0,81	0,85	0,745

1992	0,98	0,92	0,5	0,64	0,6	1.000	0,65	0,82	0,9	0,96	0,833	0,9	0,82	0,76	0,9	0,82	0,9	0,771
1993	0,99	0,91	0,53	0,68	0,65	1.000	0,7	0,83	0,9	0,95	0,865	1.000	0,84	0,76	0,9	0,83	0,91	0,8
1994	0,99	0,9	0,6	0,72	0,7	1.000	0,8	0,84	0,91	0,95	0,898	1.000	0,85	0,76	0,9	0,84	0,92	0,824
1995	0,986	0,887	0,639	0,745	0,726	1.000	0,962	0,86	0,915	0,948	0,932	1.000	0,875	0,759	0,912	0,84	0,928	0,848

Privatization Index

	ARG	BOL	BRA	CHI	COL	C.RIC	R.DOM	ECU	ELS	GUA	HON	JAM	MEX	PAR	PER	URU	VZA	LA17
1970	0,79	0,45	0,81	0,48	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,74
1971	0,79	0,45	0,81	0,38	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,73
1972	0,79	0,45	0,81	0,38	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,73
1973	0,79	0,45	0,81	0,46	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,74
1974	0,79	0,45	0,81	0,53	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,74
1975	0,79	0,45	0,81	0,53	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,74
1976	0,79	0,45	0,81	0,58	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,74
1977	0,79	0,45	0,81	0,61	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,74
1978	0,79	0,45	0,81	0,64	0,85	0,81	0,92	0,72	0,91	0,97	0,85	0,32	0,77	0,87	0,8	0,82	0,39	0,75
1979	0,85	0,45	0,75	0,59	0,85	0,82	0,94	0,72	0,91	0,96	0,85	0,32	0,76	0,87	0,77	0,83	0,23	0,73
1980	0,85	0,45	0,8	0,56	0,79	0,83	0,96	0,72	0,91	0,96	0,85	0,32	0,66	0,89	0,74	0,81	0,14	0,72
1981	0,82	0,57	0,88	0,7	0,73	0,82	0,94	0,72	0,93	0,97	0,84	0,32	0,67	0,83	0,78	0,81	0,18	0,74
1982	0,88	0,41	0,87	0,57	0,73	0,76	0,91	0,72	0,89	0,95	0,83	0,32	0,55	0,82	0,72	0,8	0,3	0,71
1983	0,87	0,64	0,91	0,48	0,71	0,64	0,9	0,72	0,89	0,95	0,81	0,32	0,43	0,86	0,64	0,8	0,34	0,7
1984	0,87	0,53	0,87	0,49	0,69	0,62	0,89	0,68	0,91	0,95	0,82	0,32	0,47	0,73	0,64	0,84	0,21	0,68
1985	0,85	0,26	0,8	0,46	0,68	0,68	0,99	0,7	0,92	0,94	0,81	0,32	0,54	0,76	0,6	0,87	0,29	0,67
1986	0,82	0,29	0,75	0,51	0,72	0,67	0,99	0,64	0,95	0,93	0,81	0,32	0,6	0,82	0,73	0,87	0,45	0,7
1987	0,8	0,49	0,7	0,56	0,76	0,72	0,99	0,62	0,95	0,93	0,79	0,32	0,56	0,83	0,81	0,9	0,38	0,71
1988	0,8	0,44	0,7	0,56	0,8	0,68	0,99	0,61	0,95	0,94	0,81	0,34	0,65	0,87	0,89	0,91	0,42	0,73
1989	0,84	0,33	0,74	0,62	0,77	0,73	0,99	0,62	0,93	0,93	0,82	0,35	0,66	0,8	0,86	0,91	0,15	0,71
1990	0,89	0,35	0,75	0,64	0,74	0,72	0,99	0,66	0,92	0,9	0,77	0,36	0,64	0,9	0,8	0,94	0	0,7
1991	0,93	0,38	0,67	0,76	0,76	0,71	0,99	0,63	0,92	0,88	0,78	0,38	0,73	0,84	0,82	0,95	0,14	0,72

1992	0,95	0,42	0,7	0,78	0,77	0,73	0,99	0,64	0,93	0,87	0,78	0,39	0,75	0,84	0,83	0,95	0,18	0,73
1993	0,97	0,46	0,74	0,8	0,78	0,76	0,99	0,65	0,93	0,85	0,78	0,41	0,78	0,85	0,84	0,95	0,23	0,75
1994	0,98	0,5	0,77	0,82	0,8	0,78	0,99	0,66	0,93	0,83	0,78	0,43	0,8	0,86	0,85	0,95	0,29	0,77
1995	1.000	0,55	0,81	0,84	0,81	0,81	0,99	0,66	0,93	0,81	0,79	0,43	0,83	0,87	0,86	0,95	0,36	0,78
av 70-95	0,85	0,44	0,79	0,59	0,79	0,76	0,95	0,68	0,92	0,93	0,82	0,34	0,69	0,85	0,78	0,86	0,3	0,73

Tax Reform Index (0-1)

	ARG	BOL	BRA	CHI	COL	CRI	DRE	ECU	ELS	GUA	HON	JAM	MEX	PAR	PER	URU	VEN	LA17
1970	0,2	0,2	0,47	0,12	0,16	0,26	0,03	0,42	0,23	0,12	0,24	0,13	0,14	0,26	0,03	0,25	0,12	0,2
1971	0,2	0,2	0,47	0,12	0,16	0,26	0,03	0,42	0,23	0,12	0,24	0,13	0,14	0,26	0,03	0,25	0,12	0,2
1972	0,2	0,2	0,47	0,12	0,16	0,26	0,03	0,46	0,23	0,12	0,24	0,13	0,14	0,26	0,03	0,25	0,12	0,2
1973	0,2	0,33	0,46	0,12	0,16	0,18	0,03	0,46	0,23	0,12	0,24	0,13	0,14	0,26	0,03	0,5	0,12	0,22
1974	0,2	0,33	0,46	0,05	0,16	0,14	0,03	0,46	0,23	0,12	0,24	0,13	0,14	0,26	0,03	0,52	0,12	0,21
1975	0,39	0,33	0,4	0,41	0,31	0,32	0,03	0,47	0,23	0,12	0,24	0,13	0,14	0,26	0,03	0,68	0,1	0,27
1976	0,4	0,33	0,4	0,42	0,31	0,31	0,03	0,44	0,23	0,12	0,29	0,13	0,14	0,26	0,25	0,7	0,12	0,29
1977	0,41	0,39	0,52	0,45	0,31	0,3	0,03	0,39	0,23	0,12	0,29	0,13	0,14	0,26	0,34	0,69	0,12	0,3
1978	0,41	0,4	0,53	0,47	0,32	0,3	0,03	0,41	0,23	0,12	0,29	0,13	0,14	0,26	0,36	0,69	0,12	0,3
1979	0,41	0,39	0,49	0,49	0,34	0,28	0,03	0,4	0,23	0,15	0,26	0,13	0,14	0,26	0,37	0,69	0,12	0,3
1980	0,42	0,39	0,44	0,5	0,34	0,28	0,03	0,38	0,14	0,15	0,22	0,13	0,36	0,26	0,37	0,69	0,12	0,31
1981	0,45	0,39	0,44	0,52	0,35	0,27	0,03	0,42	0,14	0,15	0,22	0,13	0,37	0,26	0,4	0,71	0,12	0,32
1982	0,46	0,38	0,46	0,51	0,36	0,28	0,03	0,42	0,14	0,15	0,24	0,13	0,34	0,26	0,4	0,69	0,12	0,32
1983	0,44	0,38	0,44	0,46	0,35	0,38	0,17	0,41	0,14	0,24	0,24	0,13	0,37	0,26	0,37	0,67	0,12	0,33
1984	0,43	0,38	0,43	0,47	0,37	0,36	0,18	0,42	0,14	0,23	0,25	0,13	0,37	0,26	0,31	0,68	0,12	0,32
1985	0,46	0,39	0,44	0,69	0,37	0,36	0,18	0,43	0,14	0,34	0,25	0,13	0,37	0,26	0,3	0,7	0,12	0,35
1986	0,47	0,52	0,48	0,69	0,49	0,35	0,18	0,47	0,14	0,31	0,25	0,24	0,37	0,26	0,34	0,72	0,12	0,38
1987	0,46	0,65	0,5	0,69	0,49	0,55	0,21	0,47	0,14	0,36	0,25	0,31	0,4	0,26	0,37	0,72	0,12	0,41
1988	0,44	0,69	0,49	0,68	0,49	0,55	0,21	0,47	0,14	0,45	0,25	0,31	0,43	0,26	0,41	0,74	0,12	0,42
1989	0,43	0,69	0,6	0,66	0,49	0,55	0,2	0,47	0,14	0,45	0,25	0,31	0,44	0,26	0,42	0,73	0,12	0,42

1990	0,52	0,69	0,68	0,69	0,49	0,52	0,21	0,53	0,19	0,45	0,25	0,31	0,49	0,26	0,42	0,75	0,12	0,45
1991	0,58	0,71	0,65	0,66	0,51	0,52	0,2	0,54	0,19	0,44	0,31	0,46	0,49	0,26	0,44	0,75	0,12	0,46
1992	0,6	0,76	0,64	0,68	0,54	0,63	0,48	0,54	0,41	0,46	0,31	0,5	0,46	0,53	0,46	0,76	0,17	0,53
1993	0,61	0,76	0,63	0,66	0,51	0,61	0,54	0,55	0,58	0,54	0,31	0,53	0,45	0,62	0,53	0,76	0,4	0,56
1994	0,6	0,79	0,71	0,66	0,51	0,6	0,52	0,55	0,55	0,53	0,31	0,53	0,47	0,64	0,58	0,76	0,46	0,58
1995	0,53	0,68	0,67	0,66	0,52	0,61	0,53	0,55	0,63	0,53	0,31	0,53	0,48	0,66	0,58	0,77	0,49	0,57
av 70-95	0,42	0,47	0,51	0,49	0,37	0,38	0,16	0,46	0,24	0,27	0,26	0,24	0,31	0,32	0,31	0,65	0,16	0,35

Socioeconomic Situation for Latin American Countries

Tables

Distribución del ingreso (Ingreso equivalente por hogar - Coeficiente Gini)

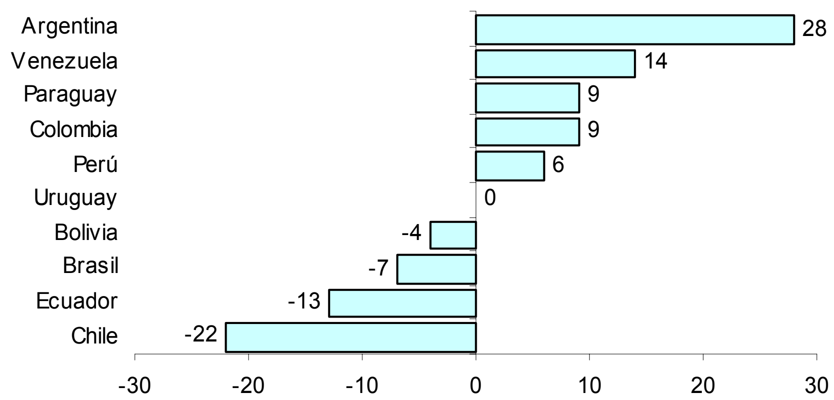
País	principios de los 90s	mediados de los 90s	principios de los 00s	Var. % (década)	Var. Absoluta (década)
Argentina	42,6	45,8	50,4	18,3%	7,8
Bolivia	54,3	55,8	55,9	2,9%	1,6
Brasil	59,5	58,3	57,2	-3,9%	-2,3
Chile	54,7	54,9	56,1	2,6%	1,4
Colombia	55,9	54,3	55,8	-0,2%	-0,1
Ecuador	-	53,0	54,3	-	-
Paraguay	-	57,8	54,9	-	-
Perú	45,7	46,4	47,7	4,4%	2,0
Uruguay	40,8	40,9	42,5	4,2%	1,7
Venezuela	41,7	44,5	45,5	9,1%	3,8

Fuente: CEDLAS

Pobreza en hogares urbanos, % del total

País	80s	90s	00s	Var. 80-90	Var. 90-00
Argentina	7	20	35	13	15
Bolivia	49	46	45	-3	-1
Brasil	34	25	27	-9	2
Chile	38	23	16	-15	-7
Colombia	36	47	45	11	-2
Ecuador	56	50	43	-6	-7
Paraguay	33	42	42	9	0
Perú	28	31	34	3	3
Uruguay	9	8	9	-1	1
Venezuela	18	32	32	14	0

Aumento de la pobreza 80s-00s
(puntos porcentuales)



País	principios de los 90s	mediados de los 90s	principios de los 00s	Var. % (década)	Var. Absoluta (década)
Argentina	42,6	45,8	50,4	18,3%	7,8
Bolivia	54,3	55,8	55,9	2,9%	1,6
Brasil	59,5	58,3	57,2	-3,9%	-2,3
Chile	54,7	54,9	56,1	2,6%	1,4
Colombia	55,9	54,3	55,8	-0,2%	-0,1
Ecuador	-	53,0	54,3	-	-
Paraguay	-	57,8	54,9	-	-
Perú	45,7	46,4	47,7	4,4%	2,0
Uruguay	40,8	40,9	42,5	4,2%	1,7
Venezuela	41,7	44,5	45,5	9,1%	3,8

Distribución del ingreso (Ingreso equivalente por hogar - Coeficiente Gini)

Fuente: CEDLAS

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