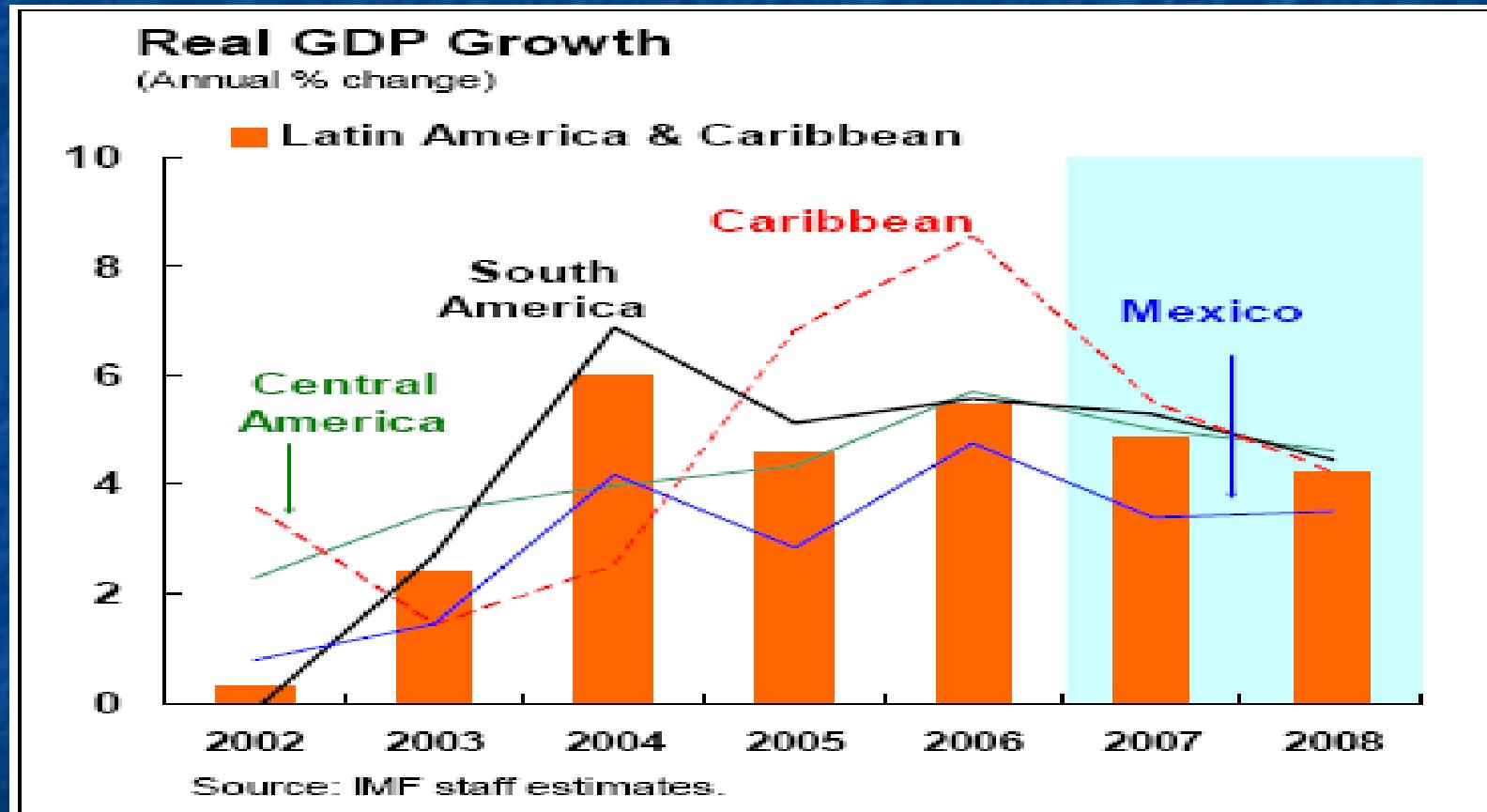


# Dilema de Crescimento na America Latina

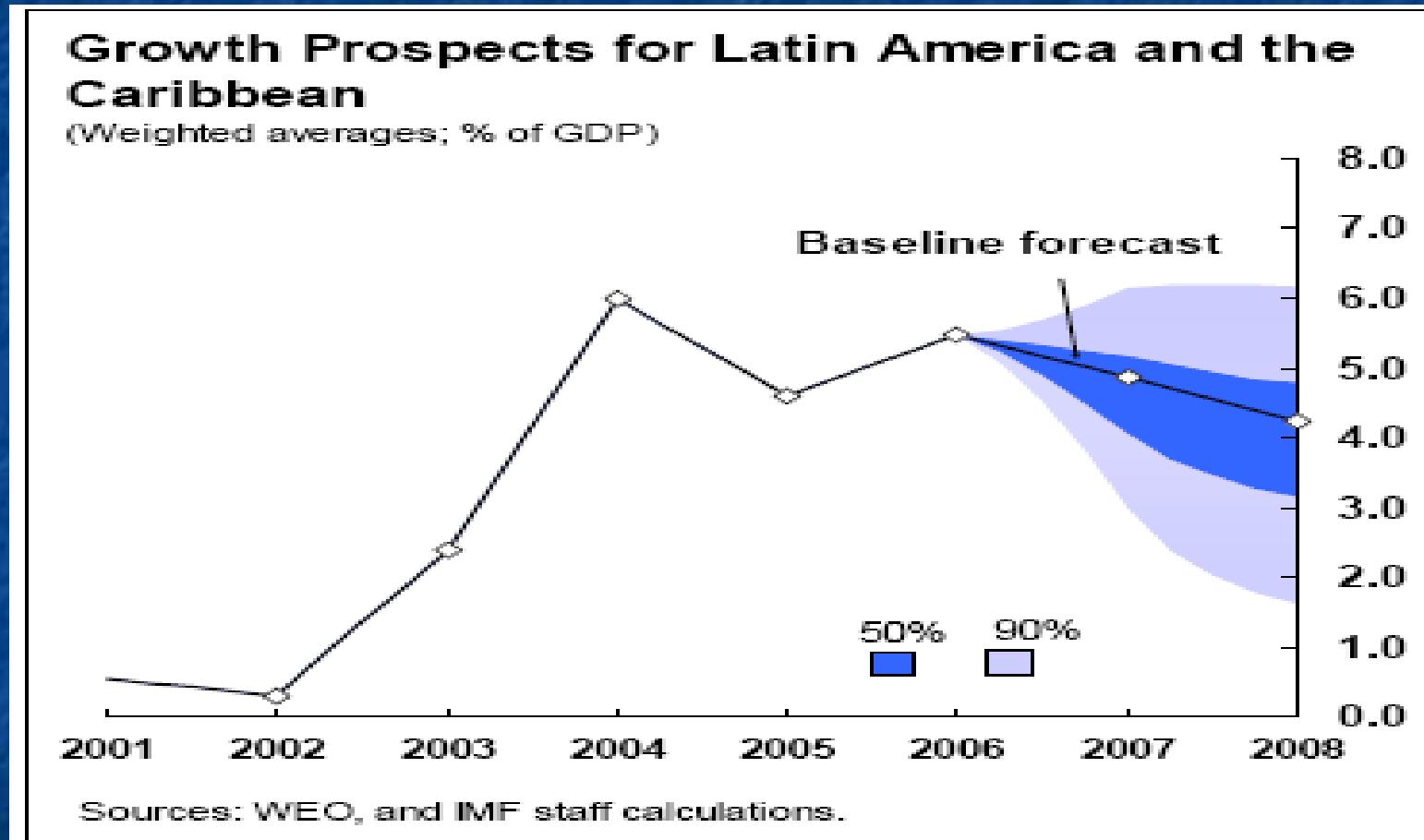


Thomas J. Trebat  
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# Bons Tempos: Crescimento na America Latina 2002-2008



# Perspectivas futuras são moderadas



# O Dilema de Crescimento

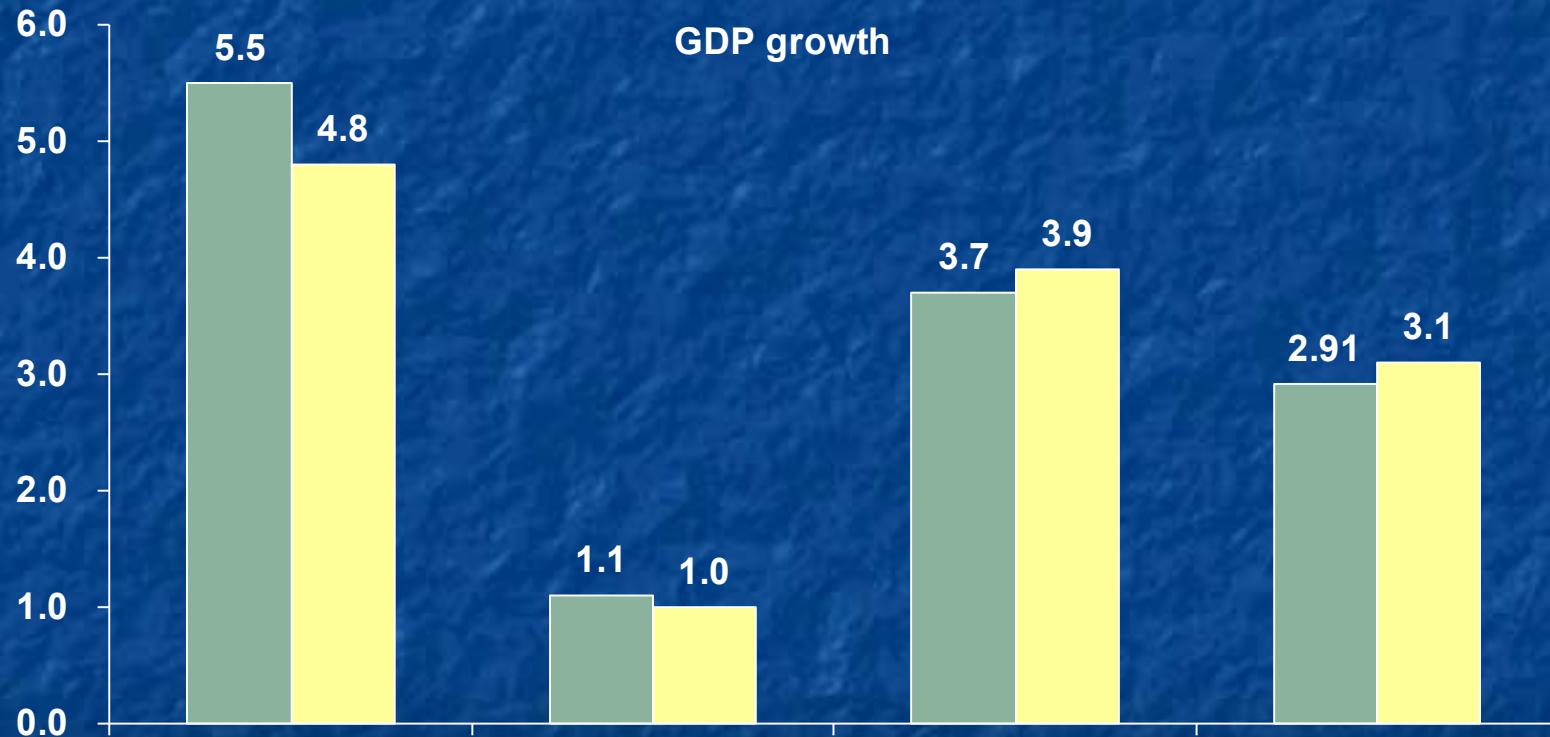
- “*Stylized facts*” about growth in Latin America
- The “*covariates*” of growth: economic fundamentals
  - And how does Latin America compare to the rest of the world?
- What should be done about the growth?
  - Augmented Washington Consensus: do more reforms!
    - “Second-generation reforms”
  - The Washington Consensus was wrong!
  - The Washington Consensus was irrelevant
    - Institutions need to be reformed, not policies



# FATOS ESTEREOTIPADOS



# Crescimento mediocre nos ultimos 25 anos



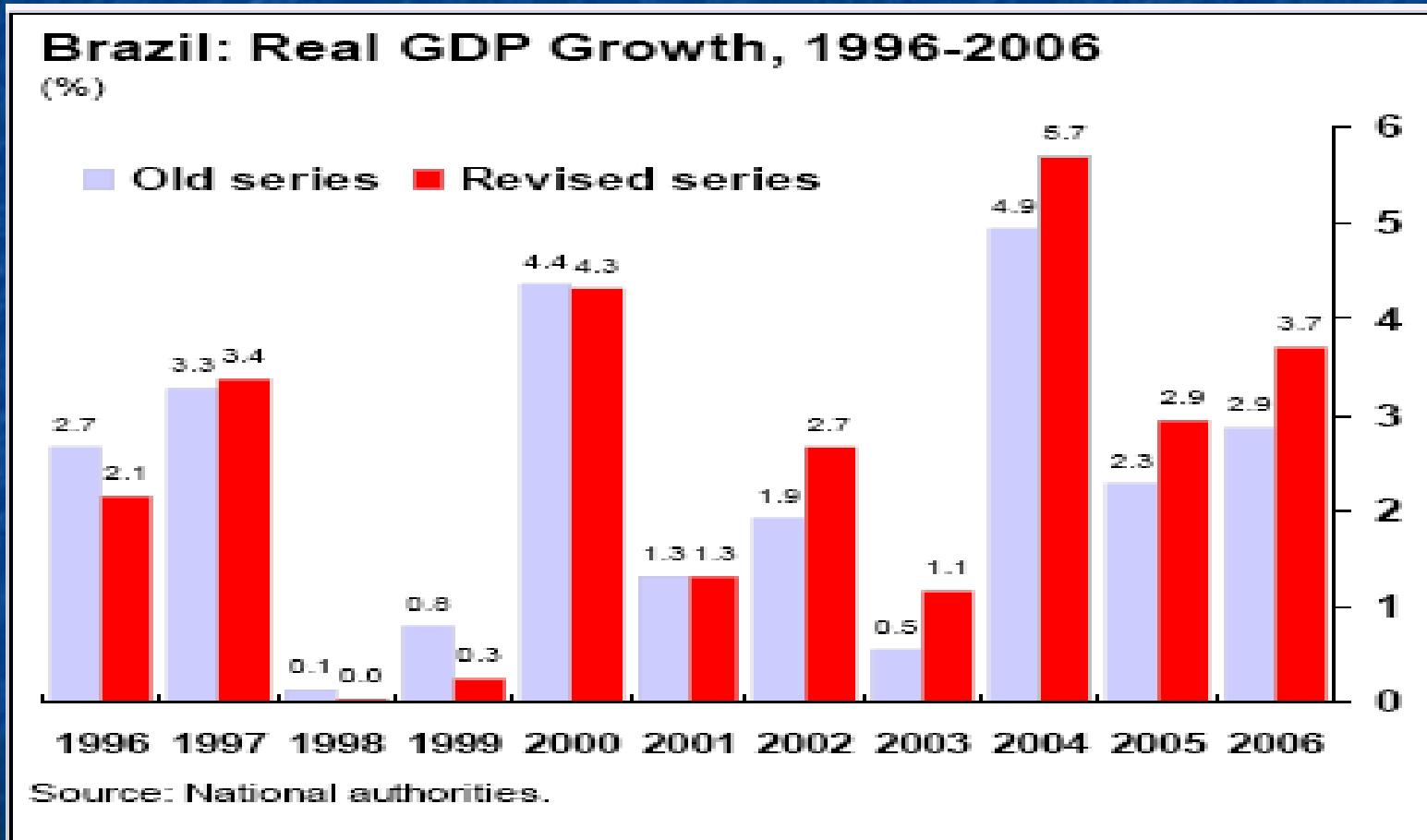
□ Weigthed average ■ Simple average

Ocampo

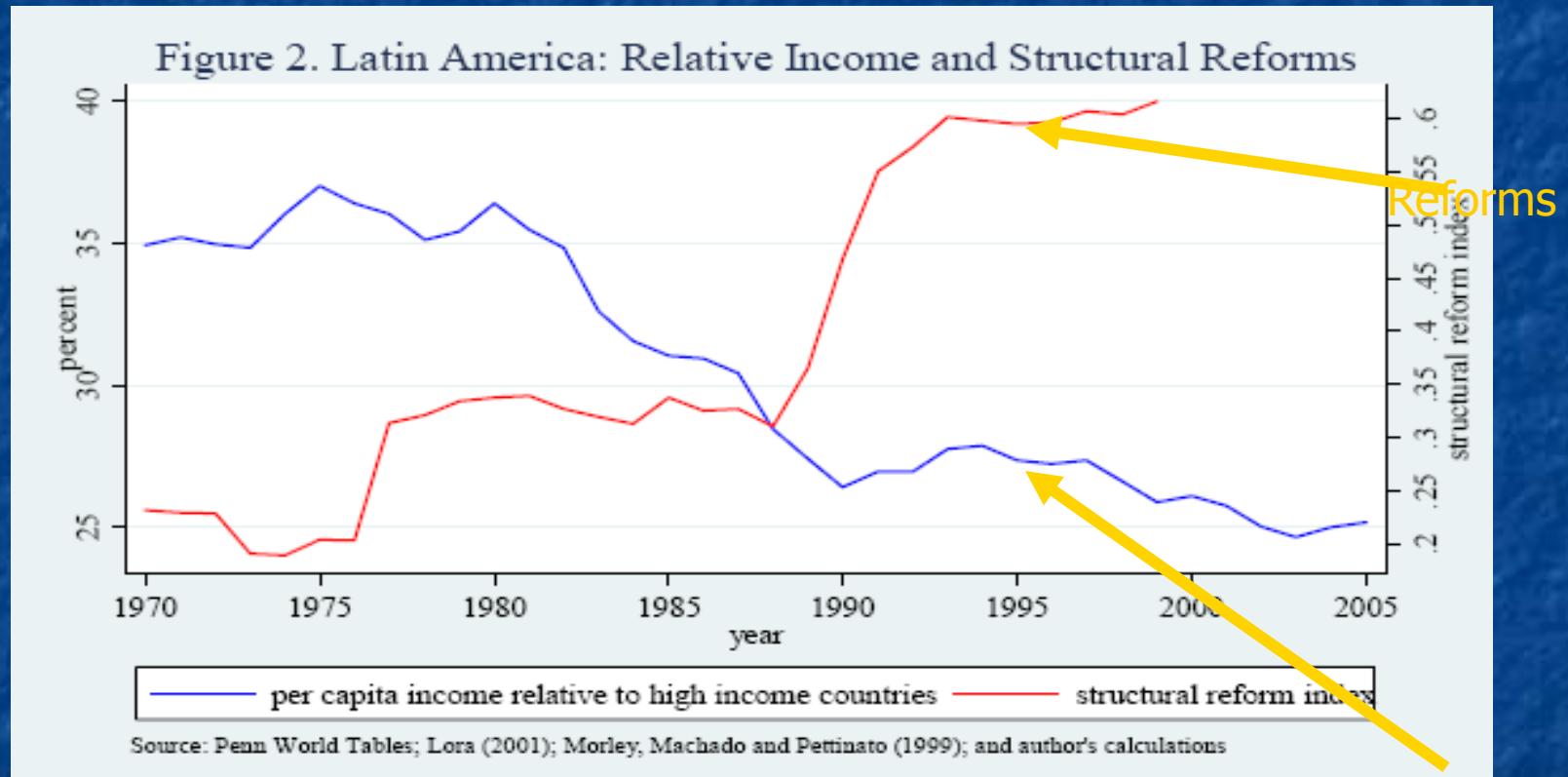
# Quase todos os países cresceram menos nos últimos 25 anos do que em épocas anteriores



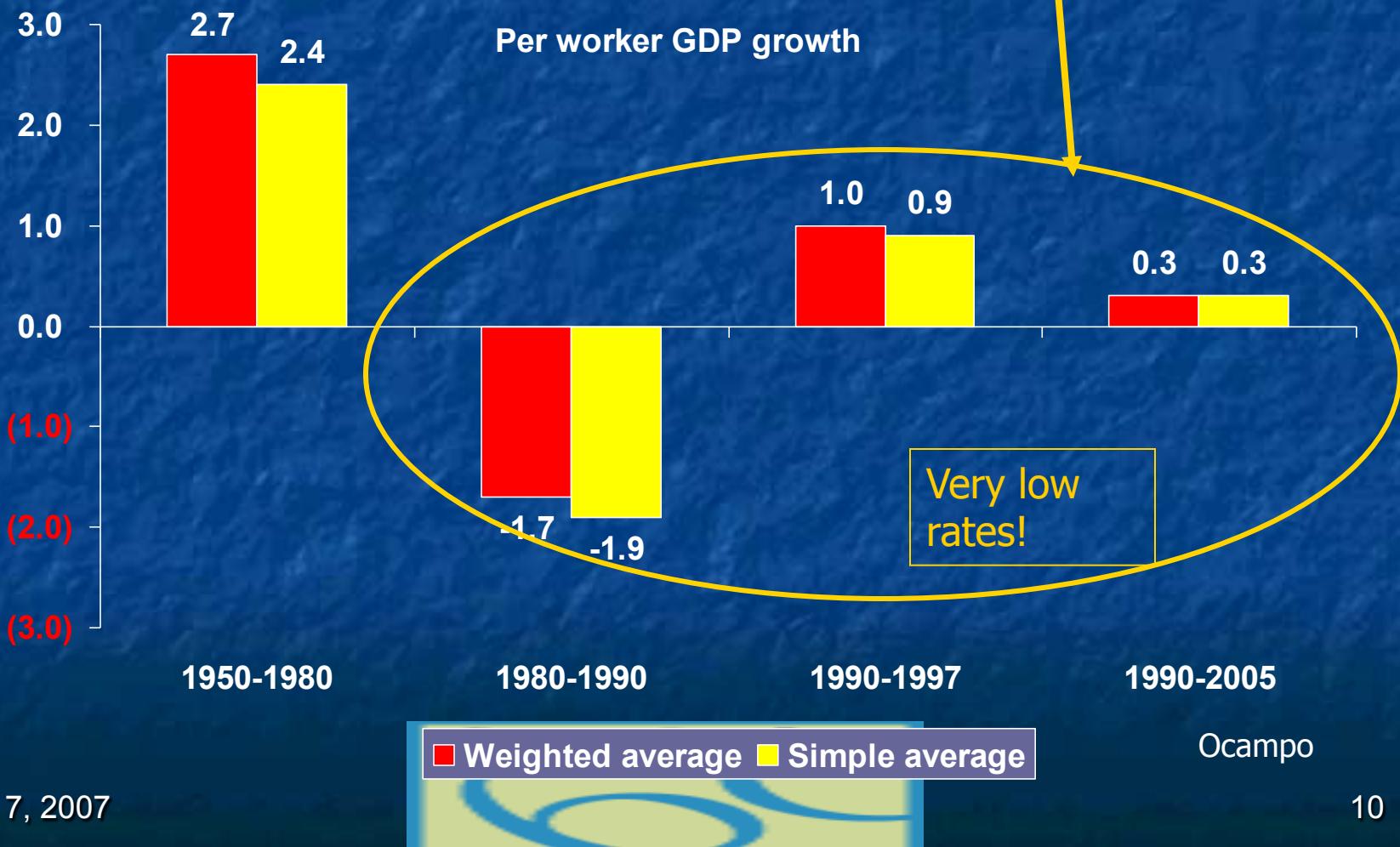
# O Caso do Brasil



# As reformas neoliberais foram eficazes?



# Um problema comum a todos: produtividade muita baixa

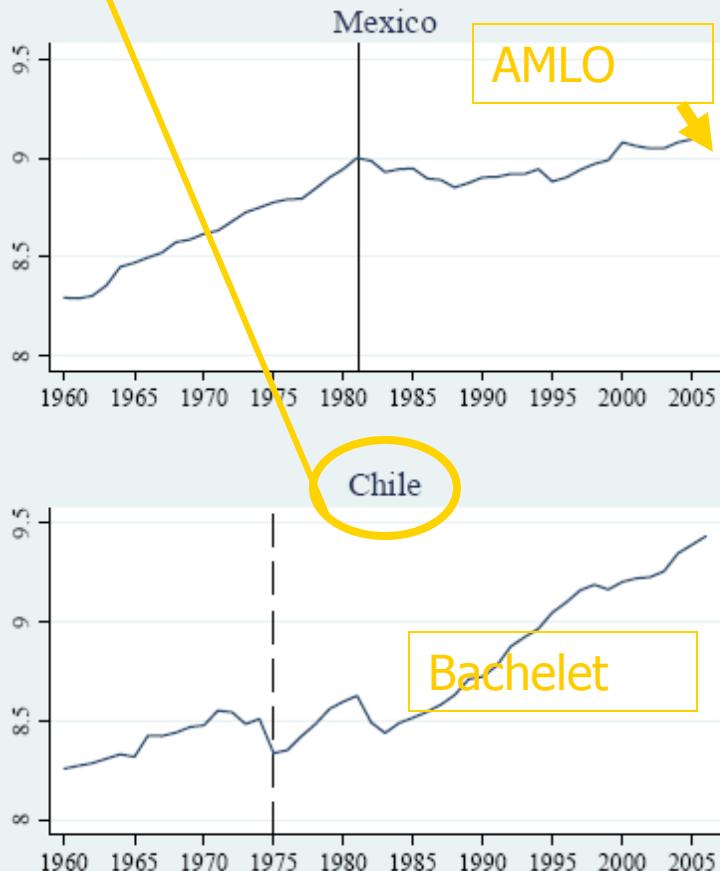


Só o Chile cresceu!

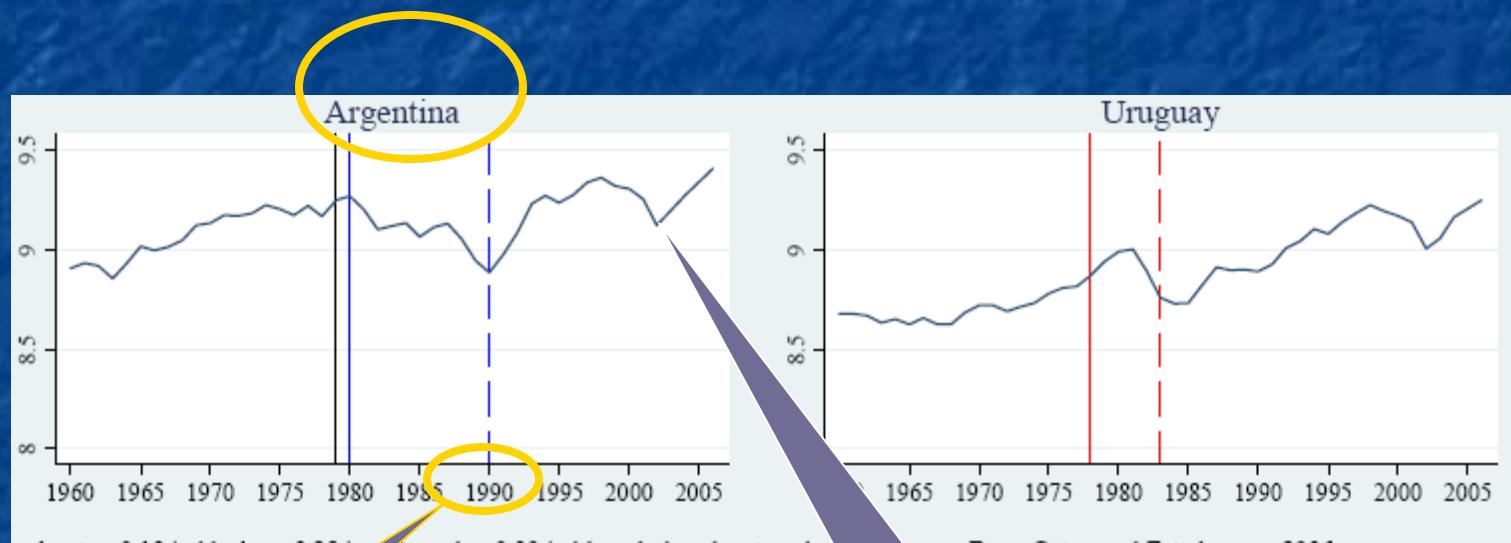
Renda caiu muito na Venezuela!

Figure 5. Latin American Countries: Income Per Capita

(at purchasing power parity, in logs; vertical lines denote structural breaks in the per capita growth series)



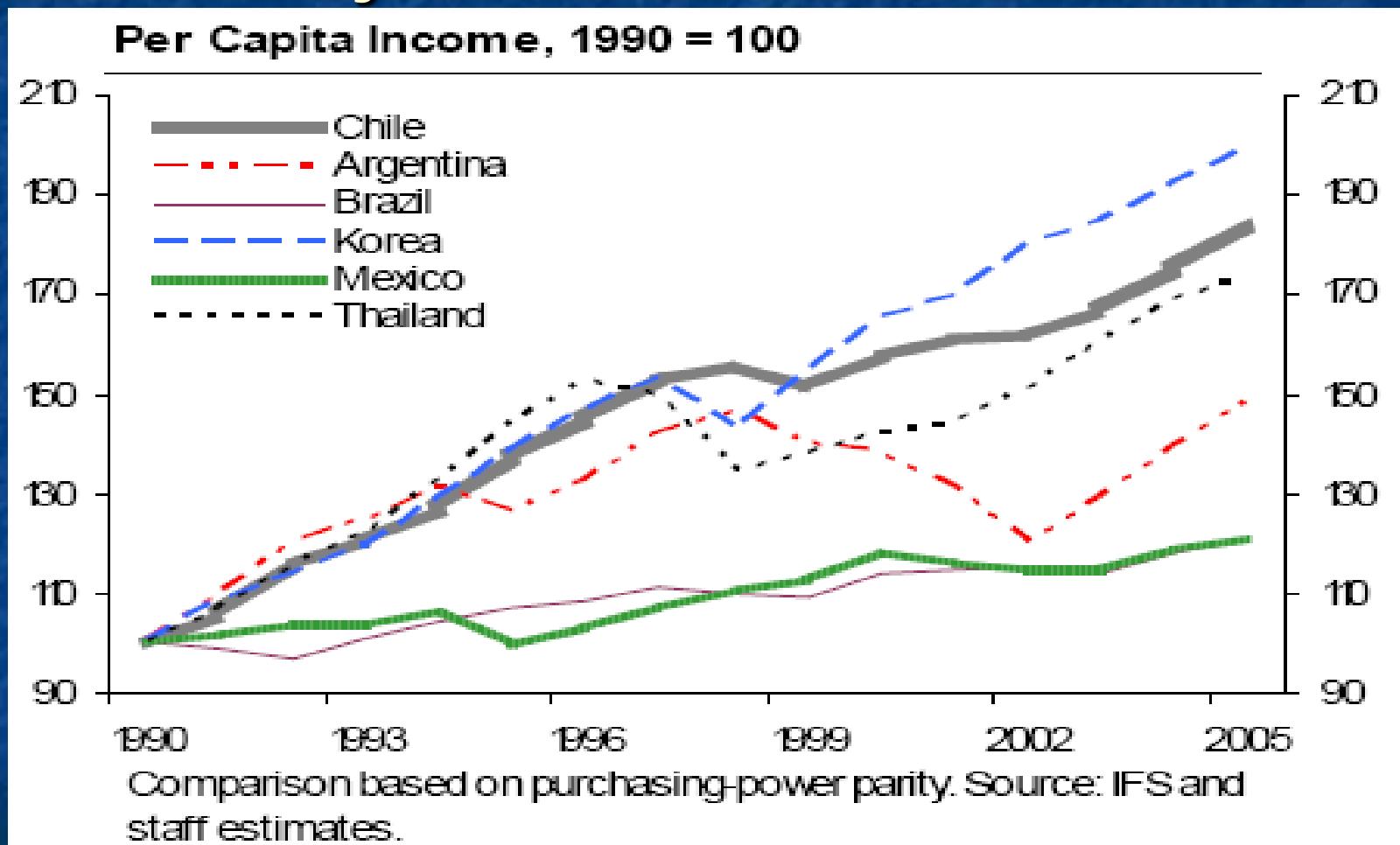
# Volatilidade no Cono Sul



Reforms  
begin

Disaster  
strikes

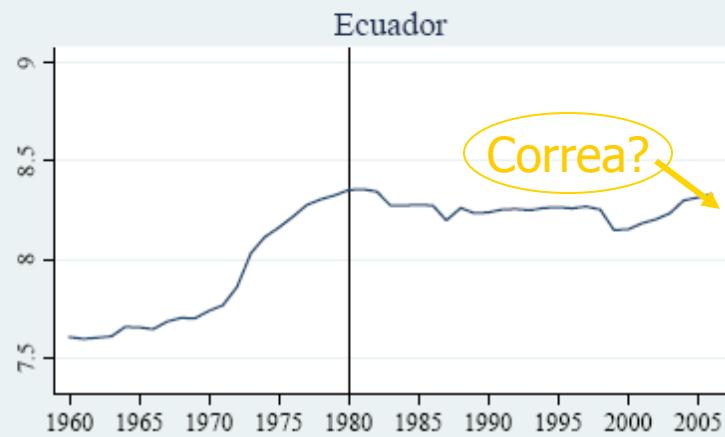
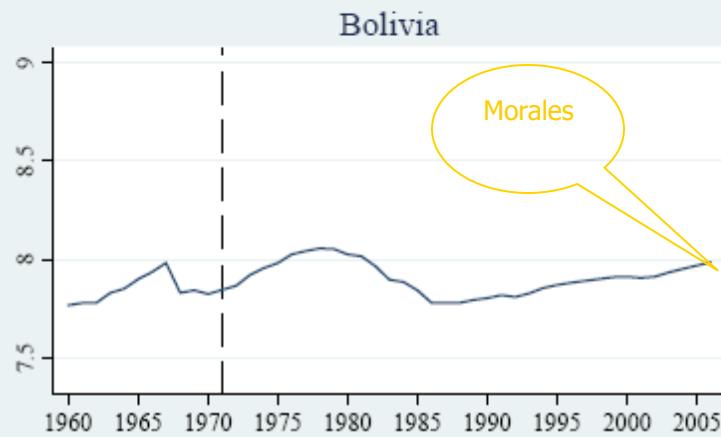
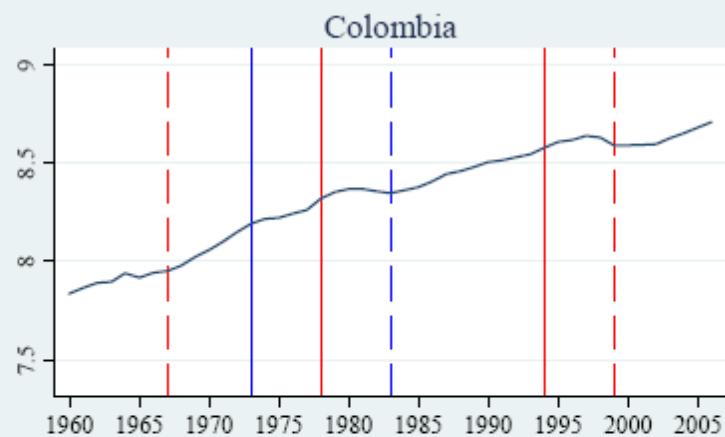
# Lições vindas do Chile?

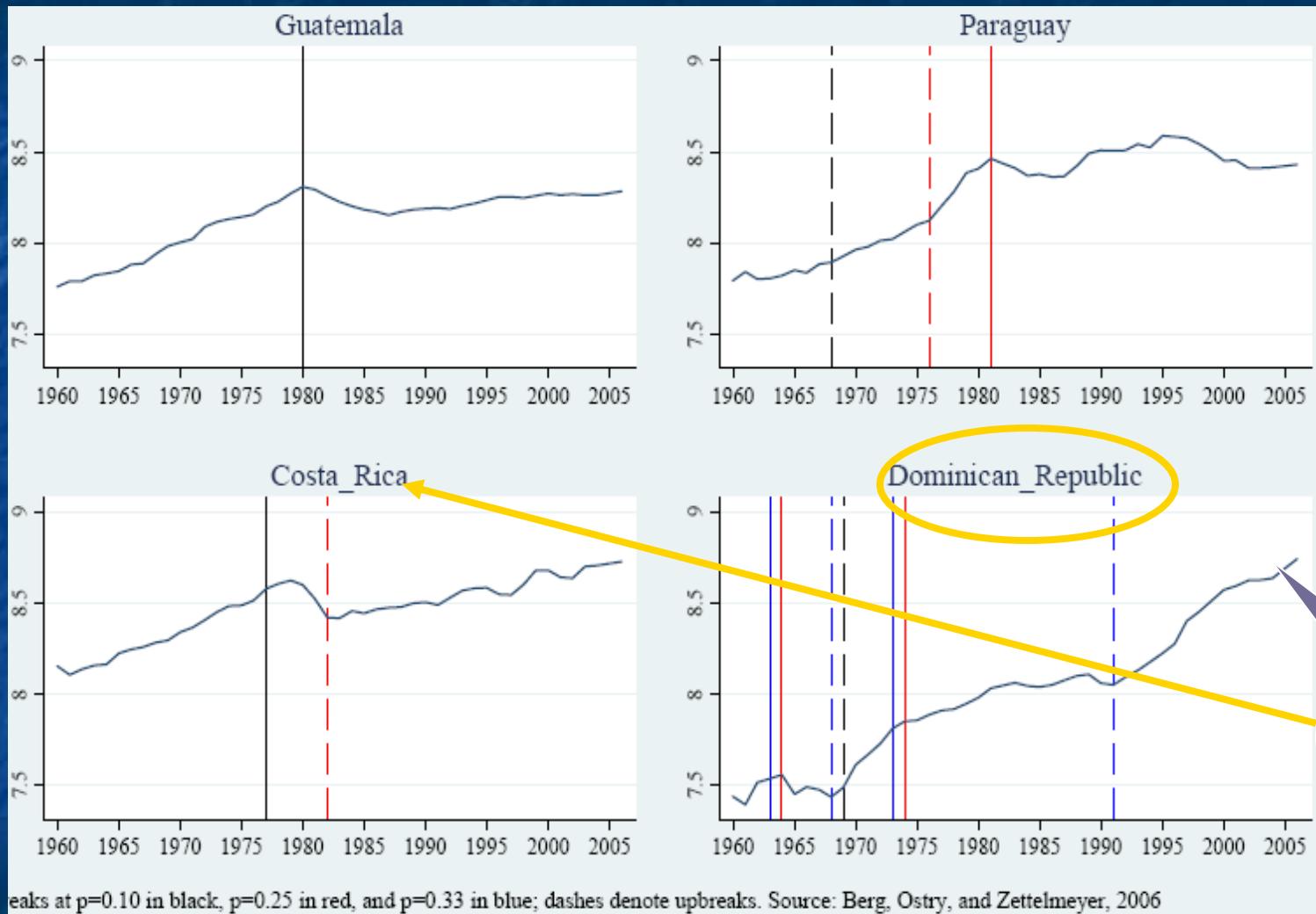


O caso  
do  
Brasil

Figure 5 (cont.). Latin American Countries: Income Per Capita

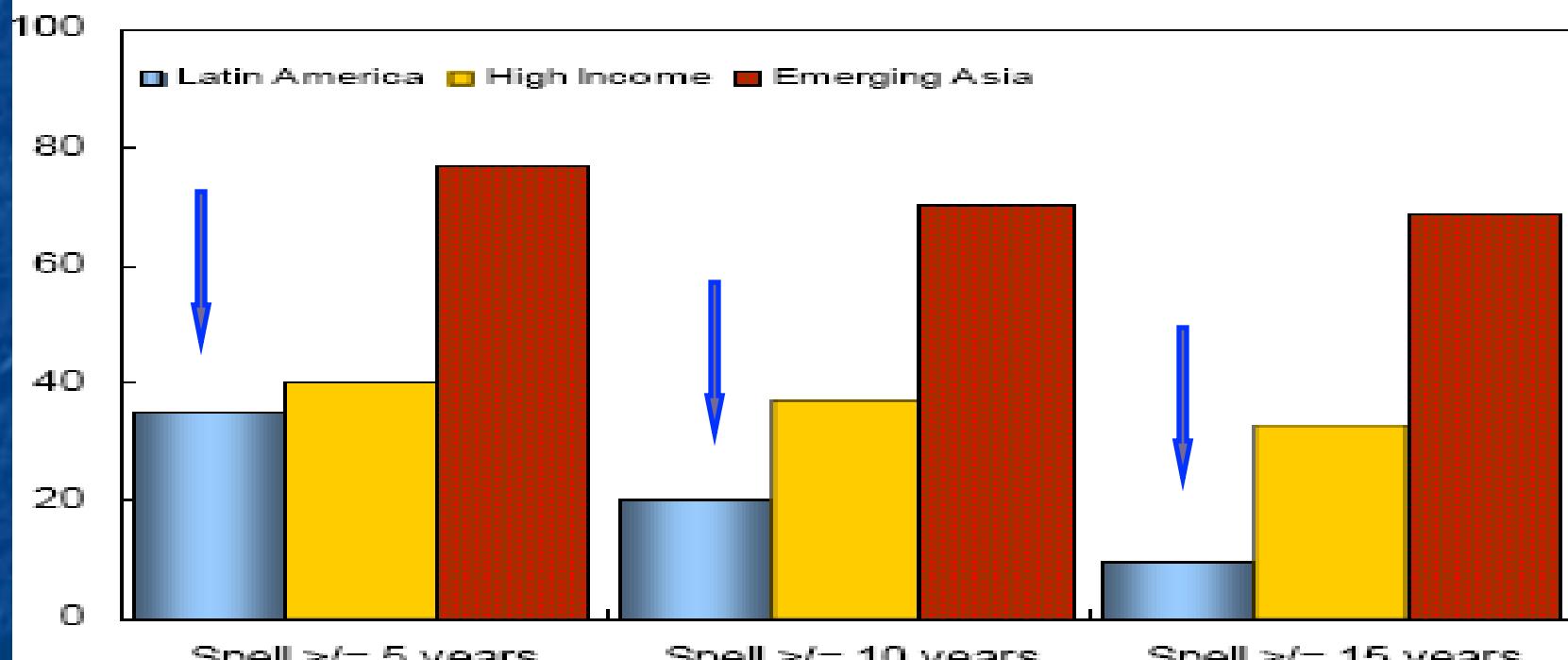
(at purchasing power parity, in logs; vertical lines denote structural breaks in the per capita growth series)





# Periodos de Expansão Económica Tem Sido Curtos Demais

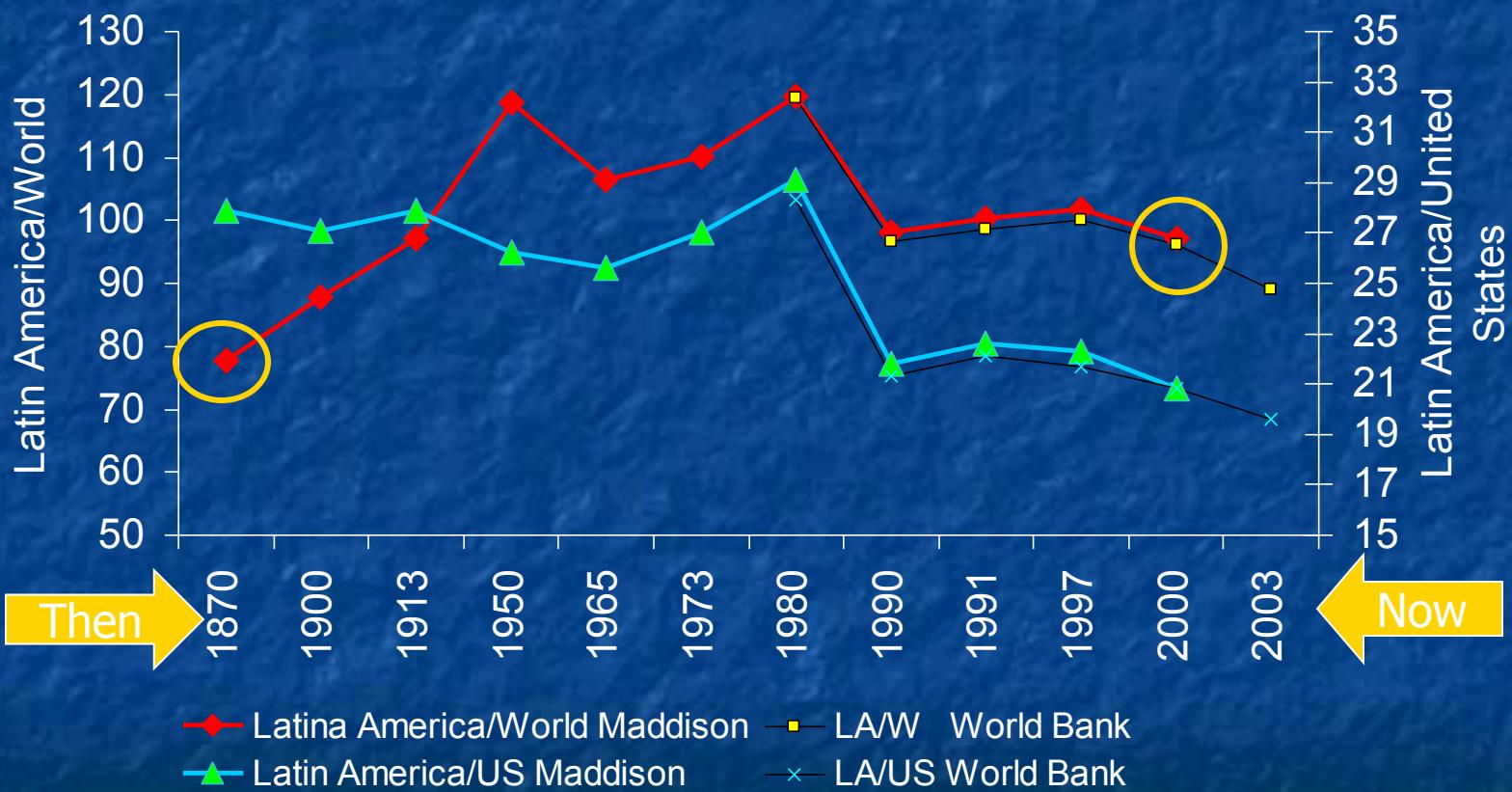
Figure 2. Duration of Growth Spells  
(Percent of countries achieving the indicated duration)



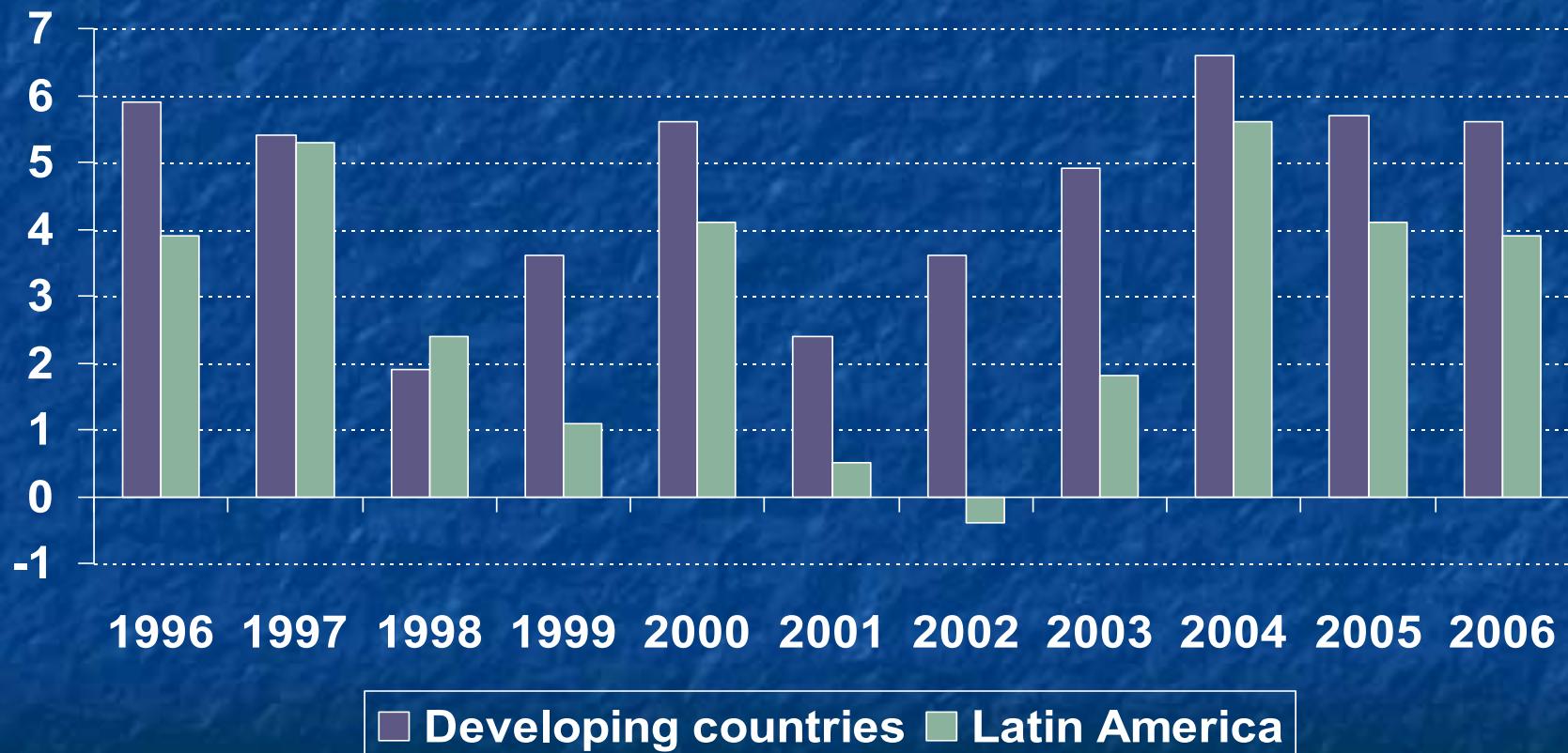
Source: Berg and others (2006).

# America Latina tem perdido (muito) terreno na corrida global

Intra-regional disparities



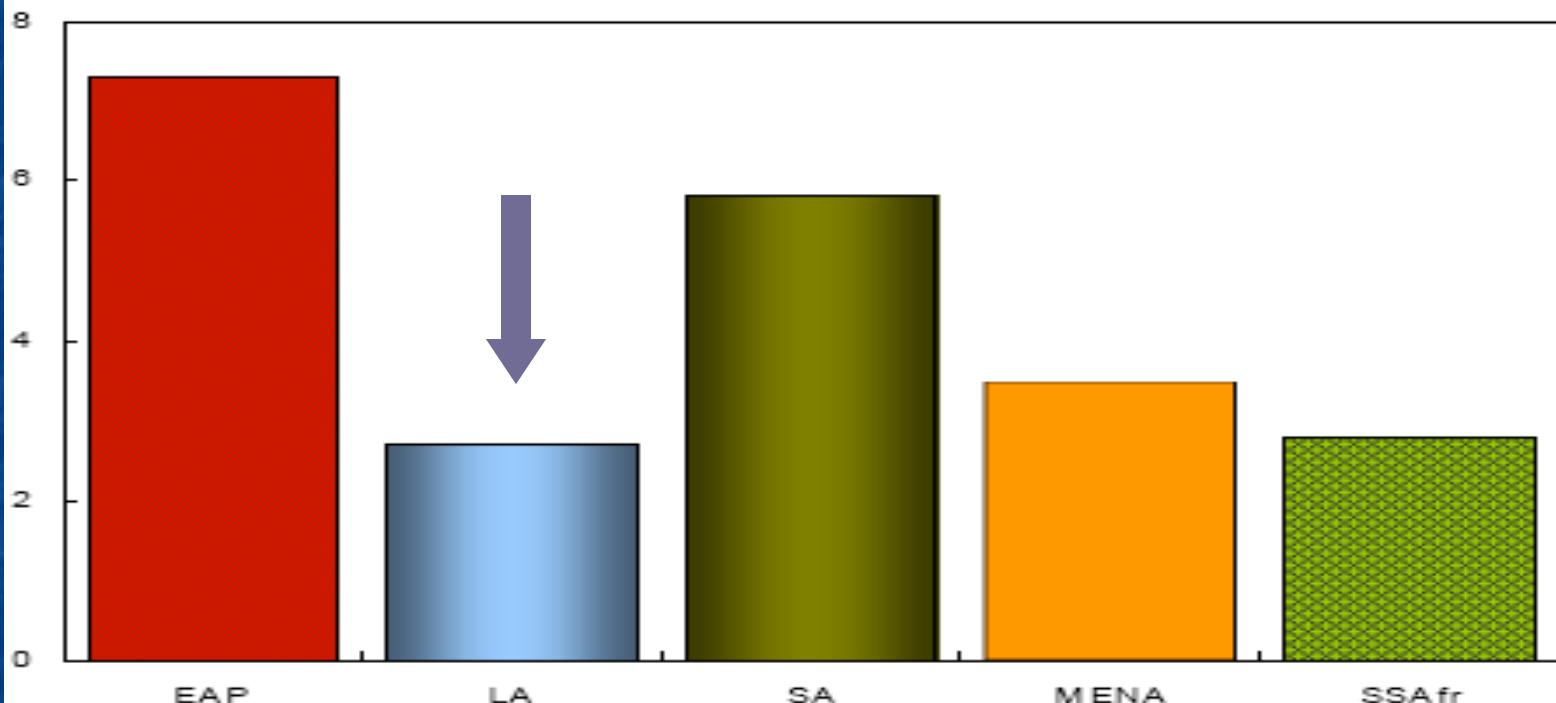
Nos ultimos dez anos, muitos dos paises emergentes tem crescido...



Ocampo

## ...e A.L. segue sendo a lanterninha

Figure 16. GDP Per Capita Growth, 2002–05  
(In percent)



Source: IMF, *World Economic Outlook*.

Note: Growth at  $t$  defined as log difference of constant price GDP between  $t + 1$  and  $t$ .

# Resumindo os pontos principais: fatos estereotipados- I

- Slow GDP growth driven by slow TFP growth
- Within Latin America, cross-country differences in growth are important
- Latin American growth has underperformed the rest of the world



# Resumo – II

- Business cycles in Latin America are more volatile *and* more protracted
  - *Volatility (large swings) and persistence (long cycles)*
- Output collapses more frequent in Latin America (and Africa)
- Growth spells shorter-lived in Latin America



# Os "fundamentos" e crescimento



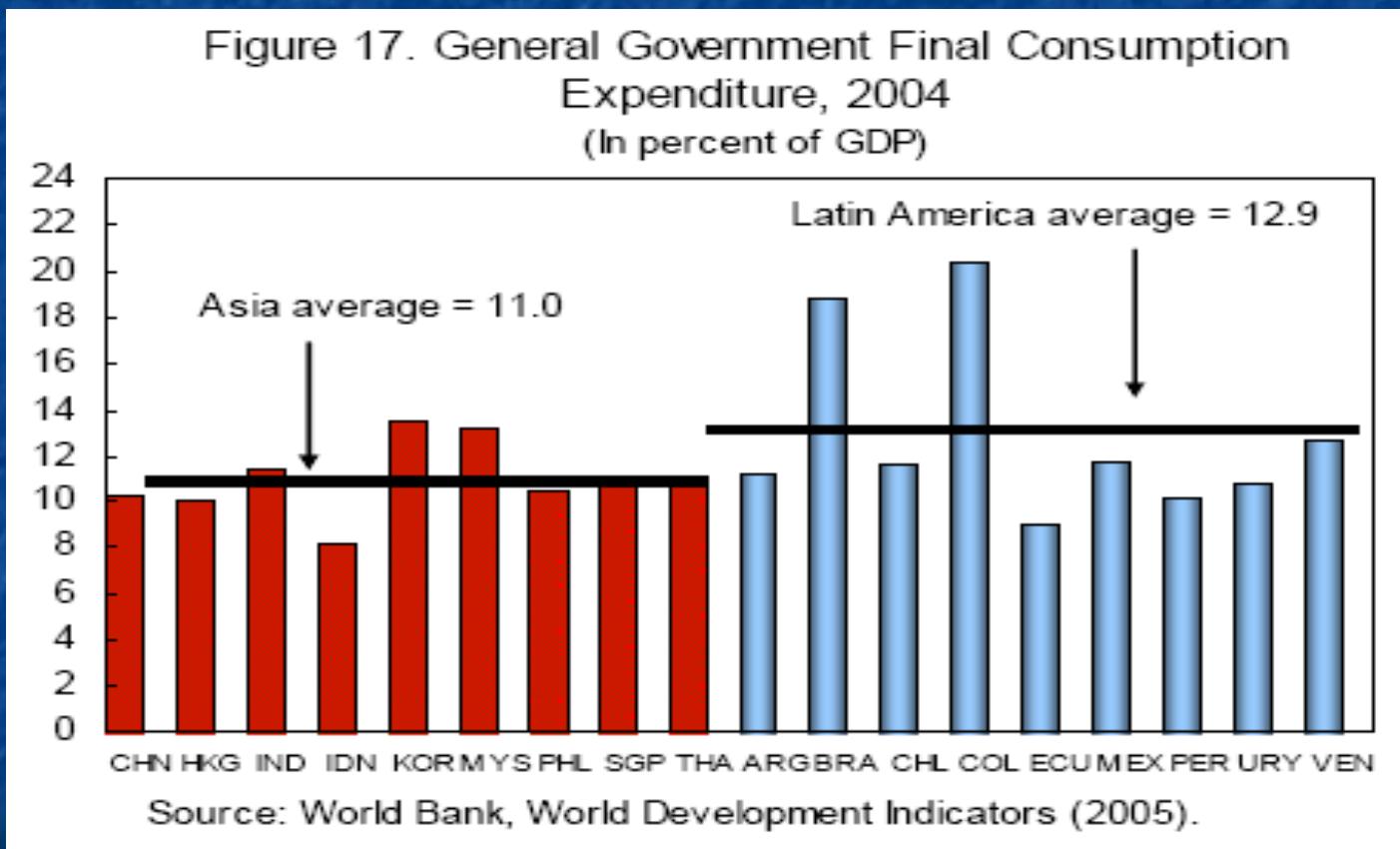
# Os fundamentos: explicam ou não o crescimento?

- Fundamentals are the “deep determinants” of growth
  - Political, social, and economic variables thought to influence growth
- Do good “fundamentals” lead to growth, or is it the other way around?
- How does Latin America compare to the rest of the world?

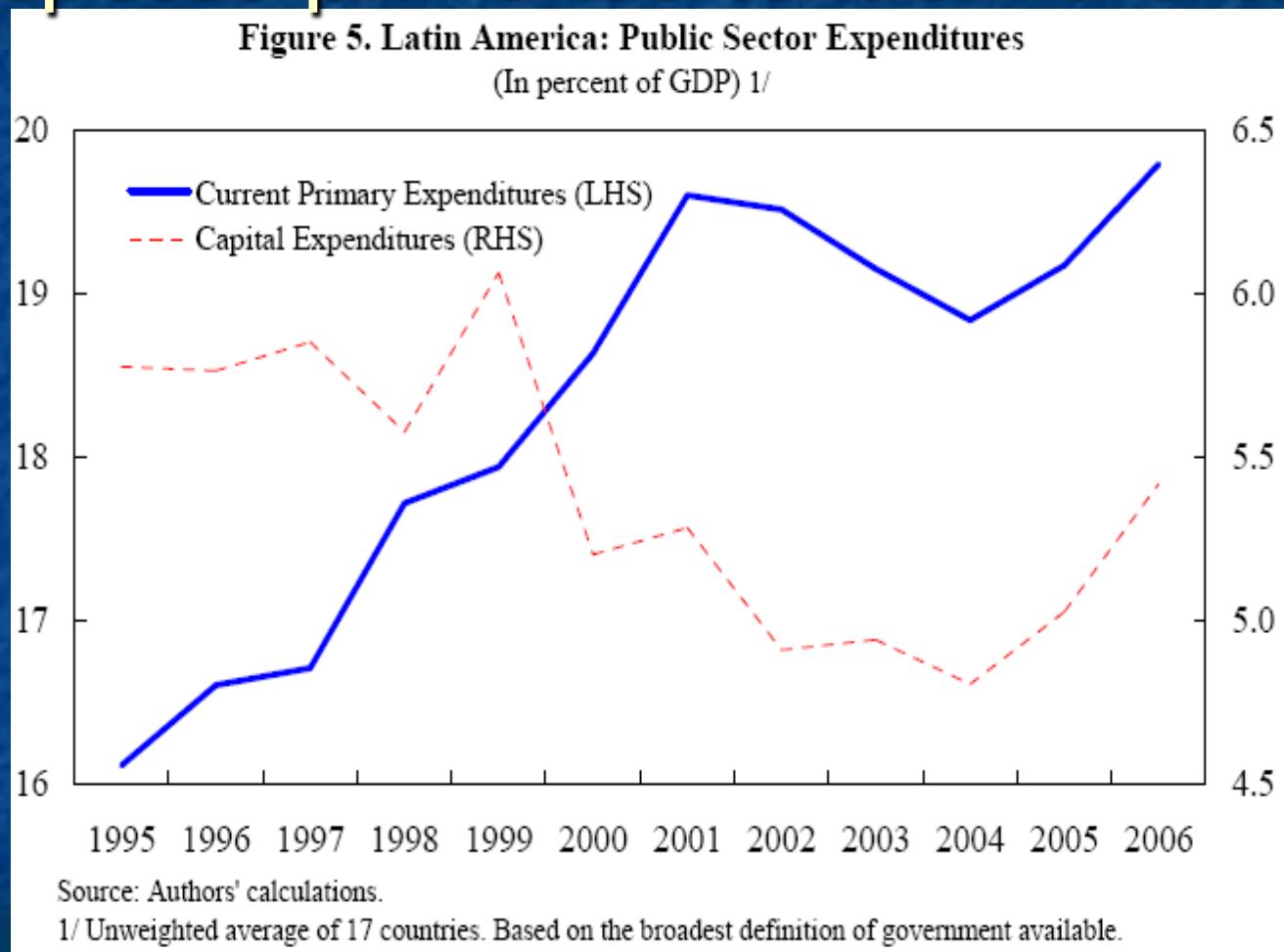


# FUNDAMENTOS MACRO: MELHORES OU PIORES NA AMERICA LATINA?

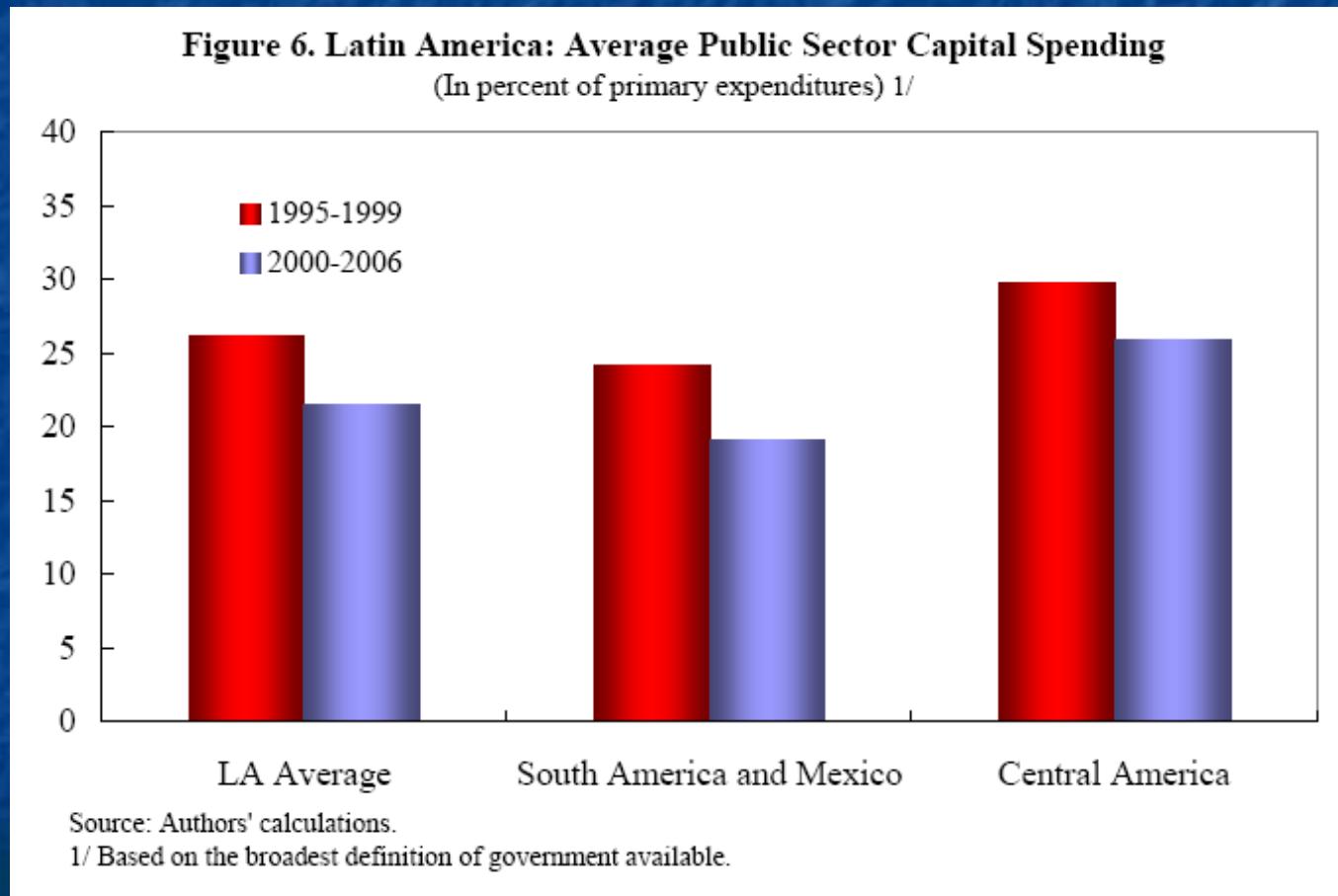
# Despesas com consumo do governo ja são altas e....



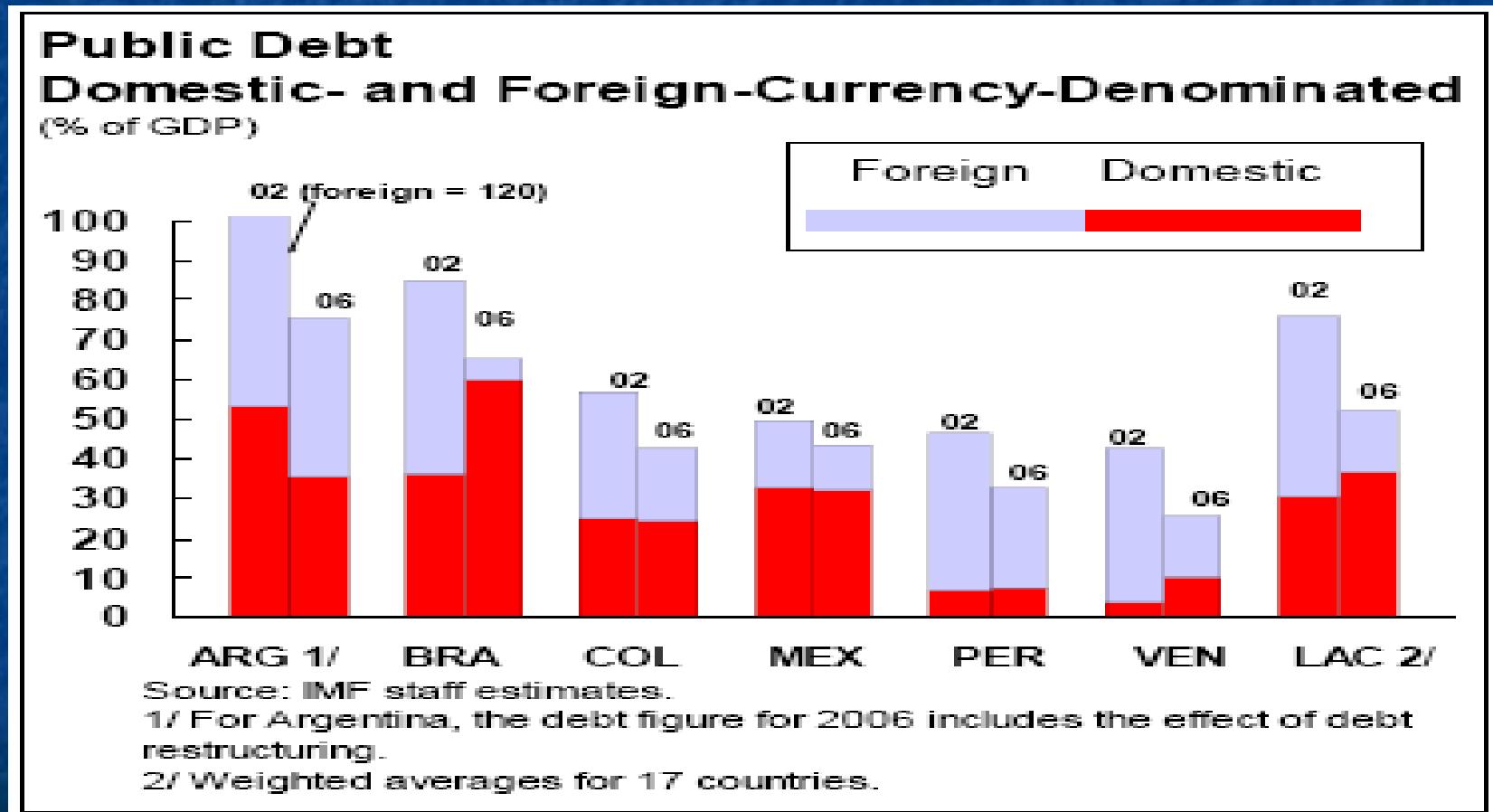
# Despesas primárias tendem a crescer



# E o investimento público encolhe



# Divida pública elevada na maioria...



INSTITUIÇÕES:

MELHORES OU PIORES NA  
AMERICA LATINA?

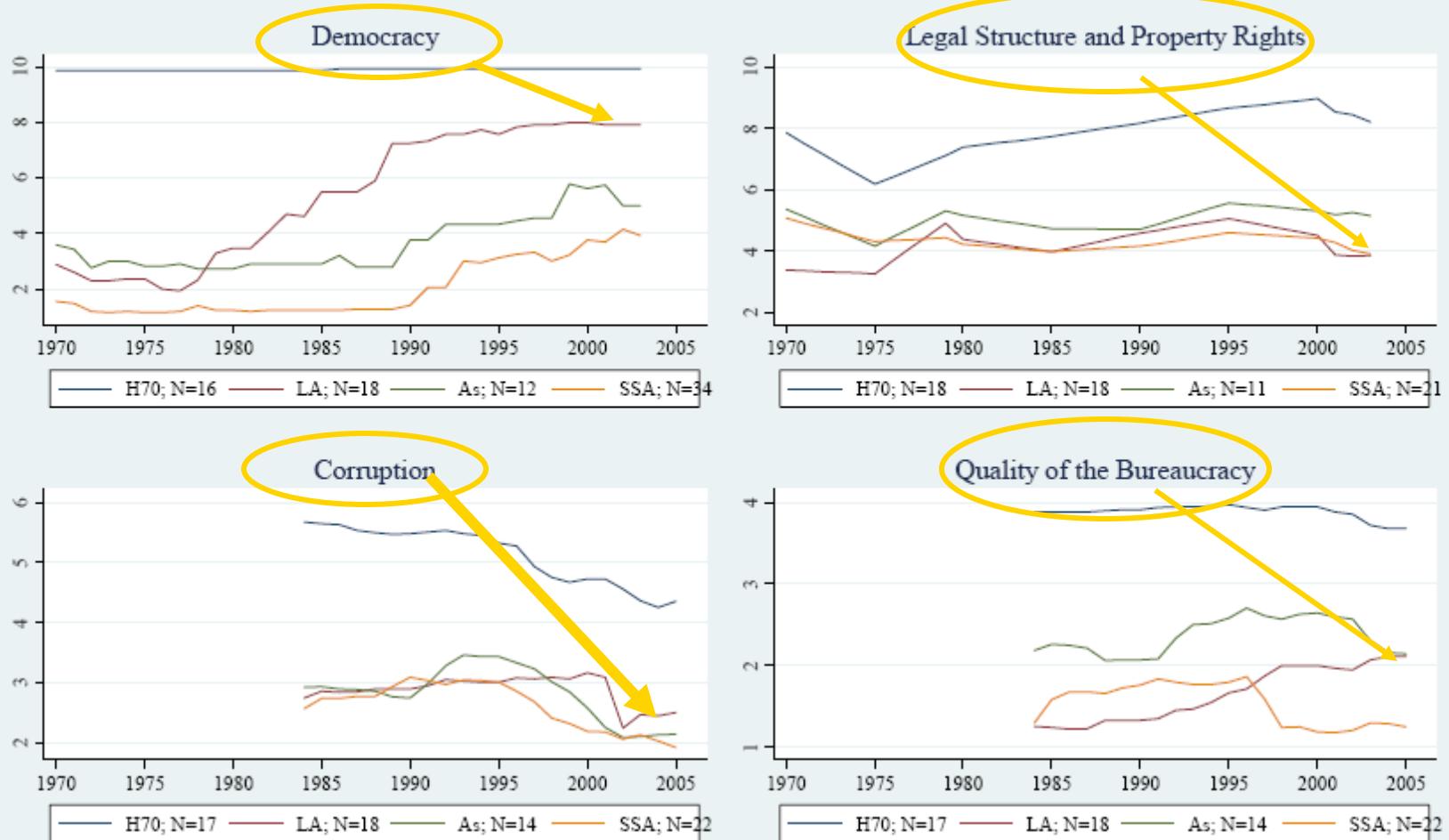


# TIPOS DE INSTITUIÇÕES

- Democracy
- Legal structures and property rights
- Corruption
- Quality of the government bureaucracy
- How does Latin America compare?
  - Answer: not too badly!

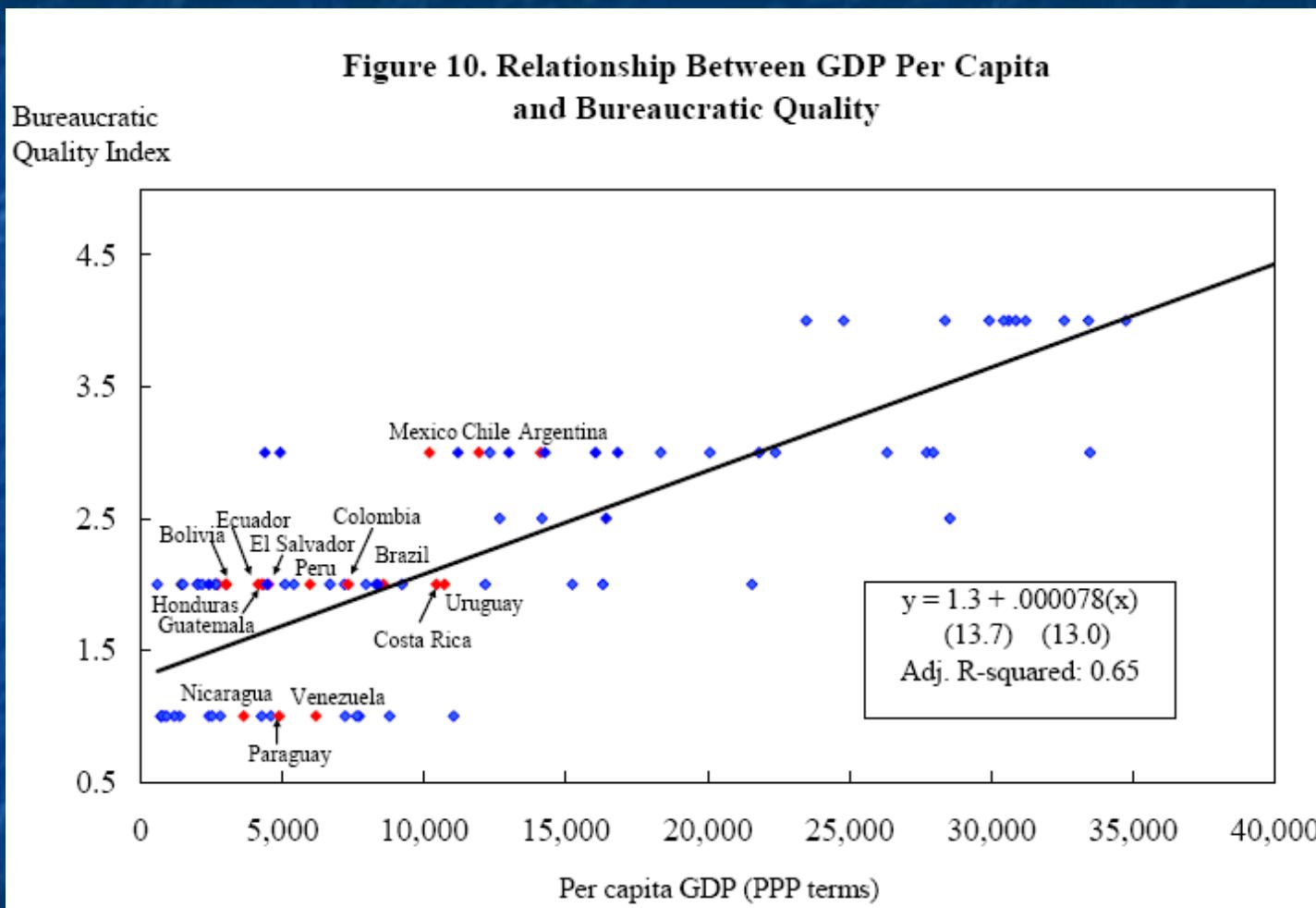


Figure 7. Institutions



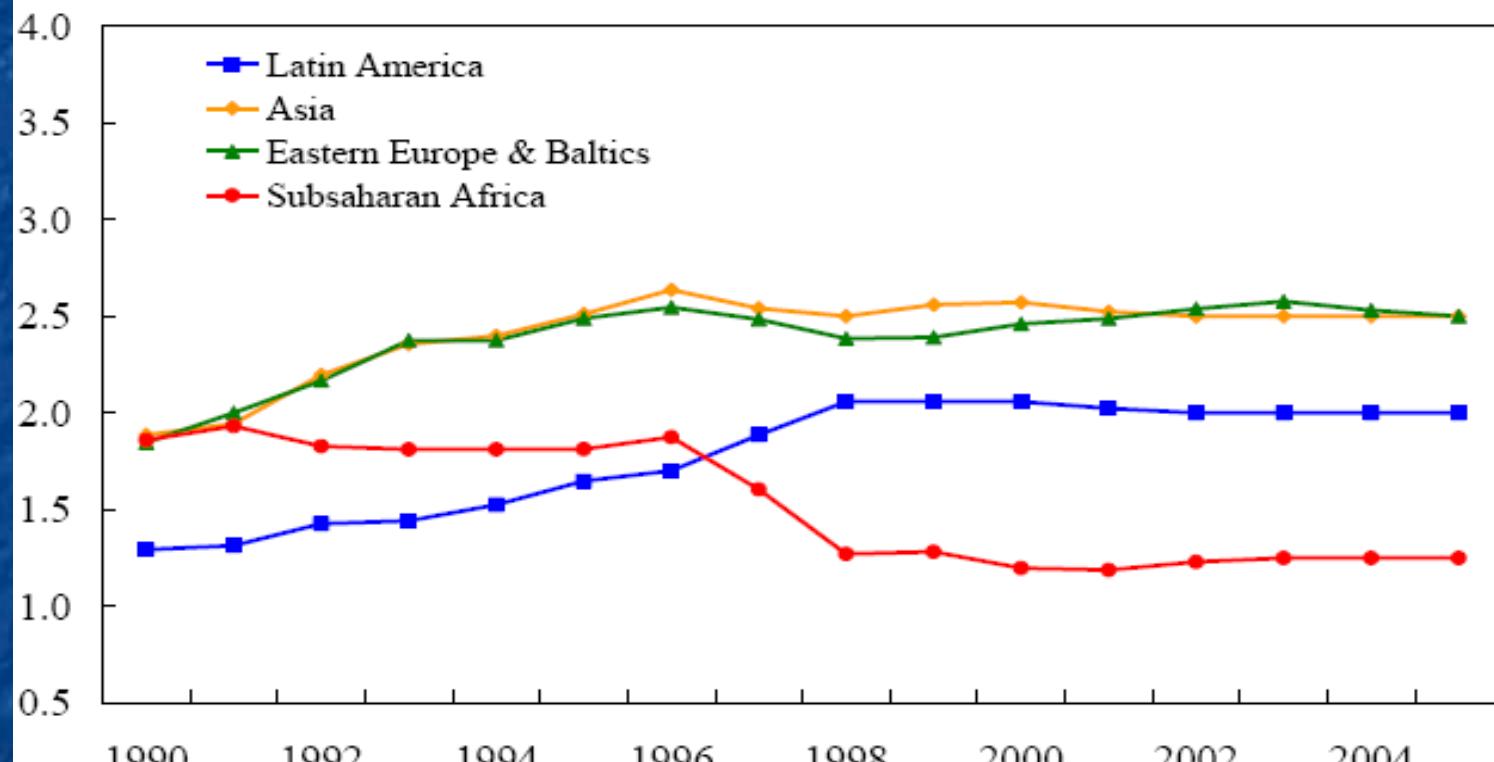
Sources: Polity IV database; Cato Institute; International Country Risk Guide (for Corruption and Quality of Bureaucracy indices).

# Renda e qualidade do funcionalismo publico



# Qualidade da máquina burocrática

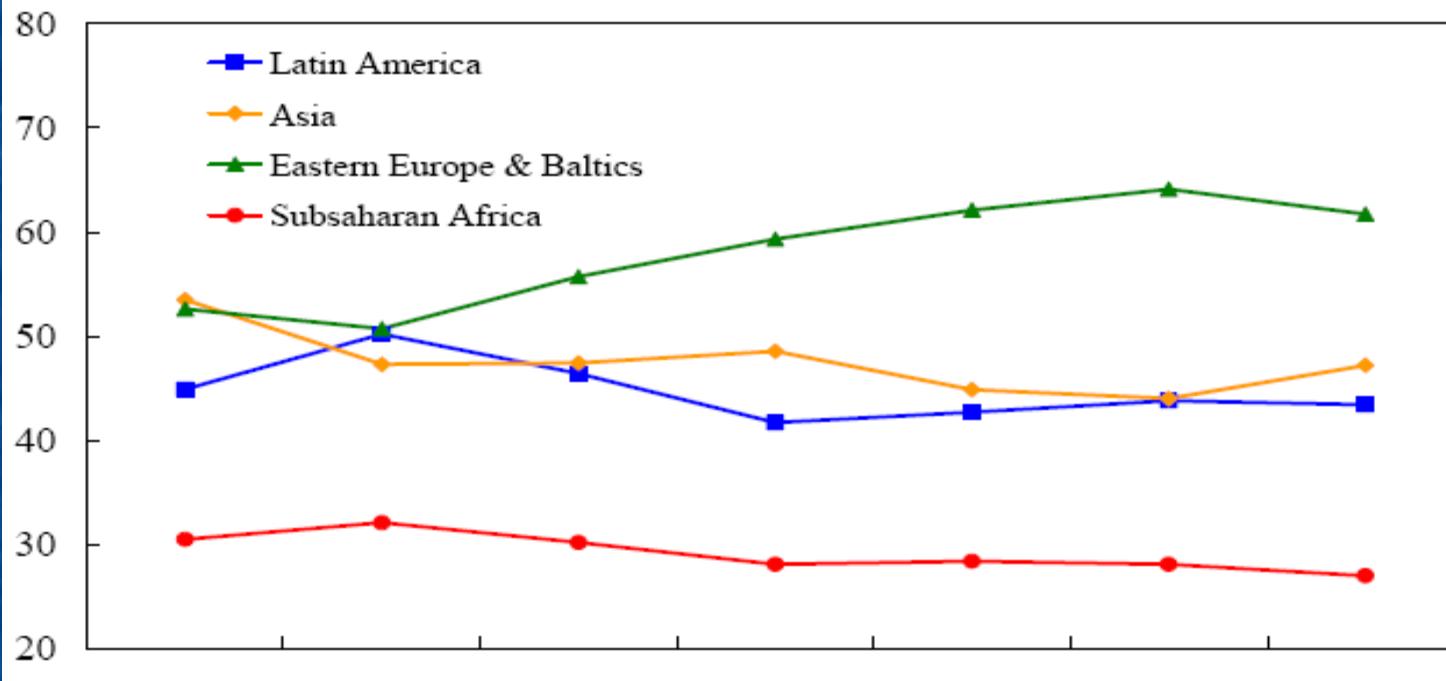
**Figure 11. The Quality of the Bureaucracy**  
(ICRG Index, 1990-2005)



Source: The International Country Risk Guide database.

# Eficácia da burocracia

**Figure 12. Government Effectiveness**  
(In percentile rank, 1996-2005)



Source: Kaufmann, Kraay, and Mastruzzi (2006).

CONDIÇÕES SOCIAIS:

MELHORES OU PIORES NA  
AMÉRICA LATINA?

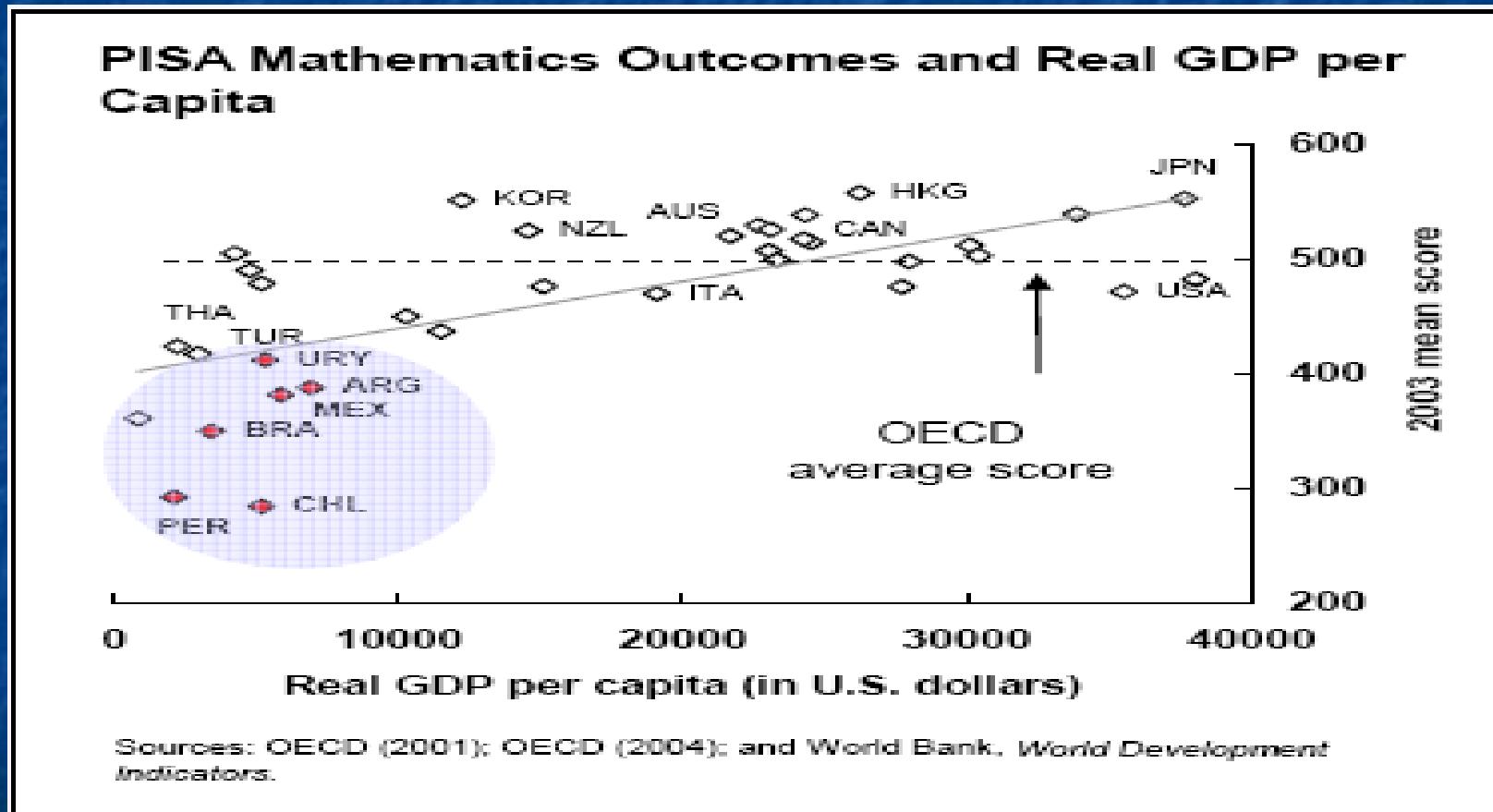


# INDICADORES SOCIAIS

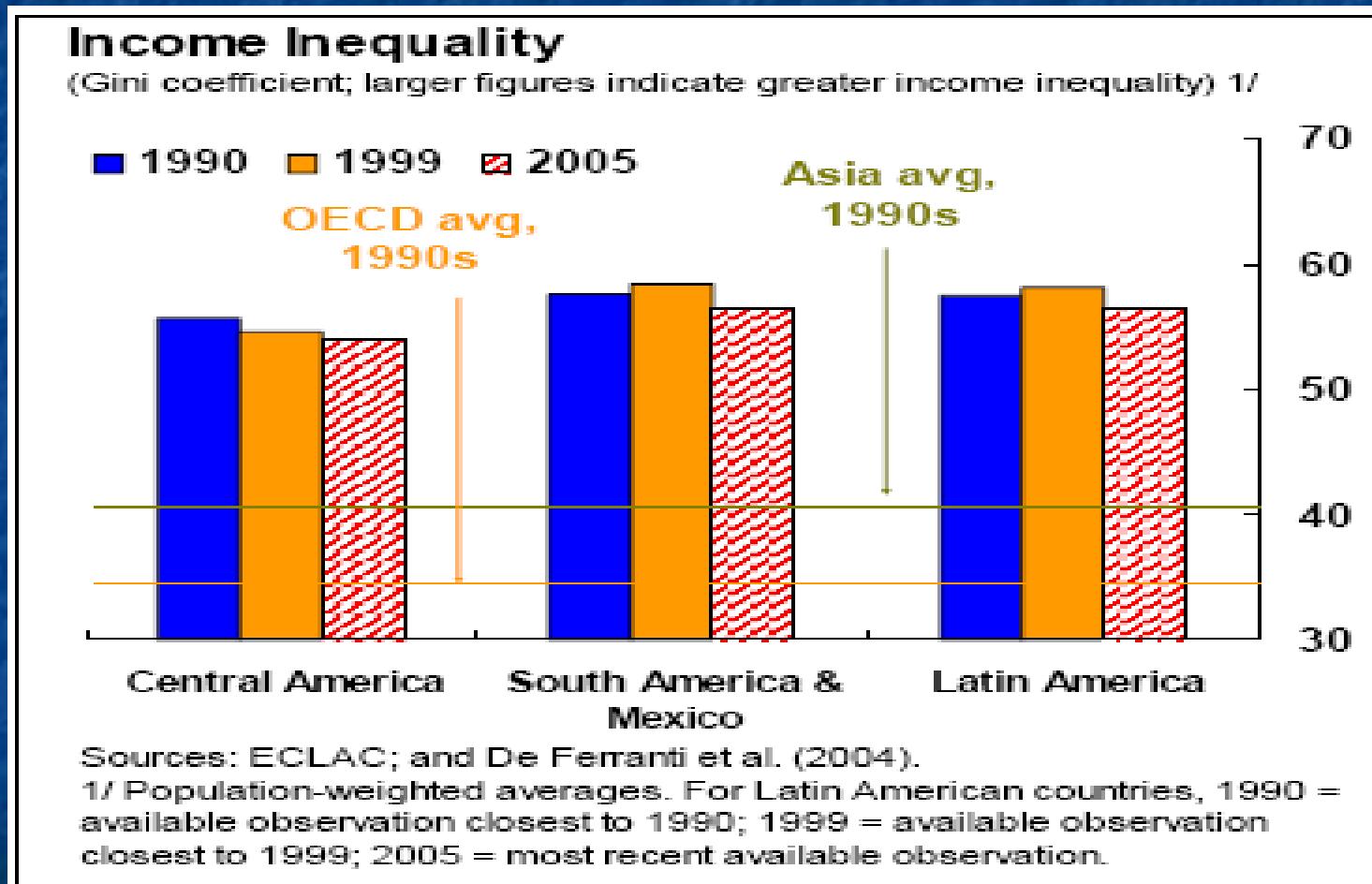
- Education
- Inequality
- Health
- How does Latin America compare?
  - Much more inequality than other regions
    - *How might inequality affect growth?*
  - Educational levels poorer
  - Yet social spending strong (Ocampo)



# Educação: baixo rendimento em matemática

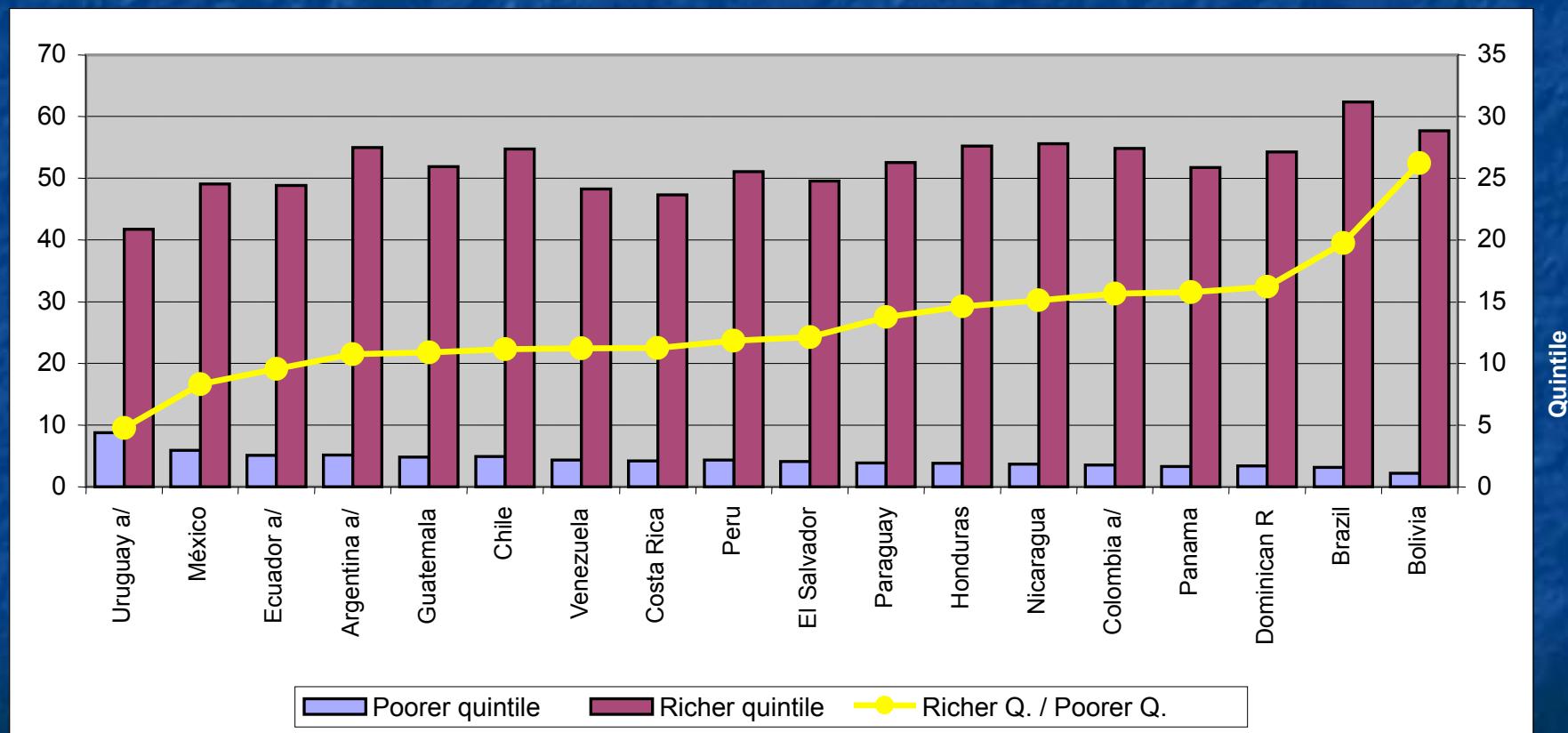


# Desigualdade na região: visão comparativa



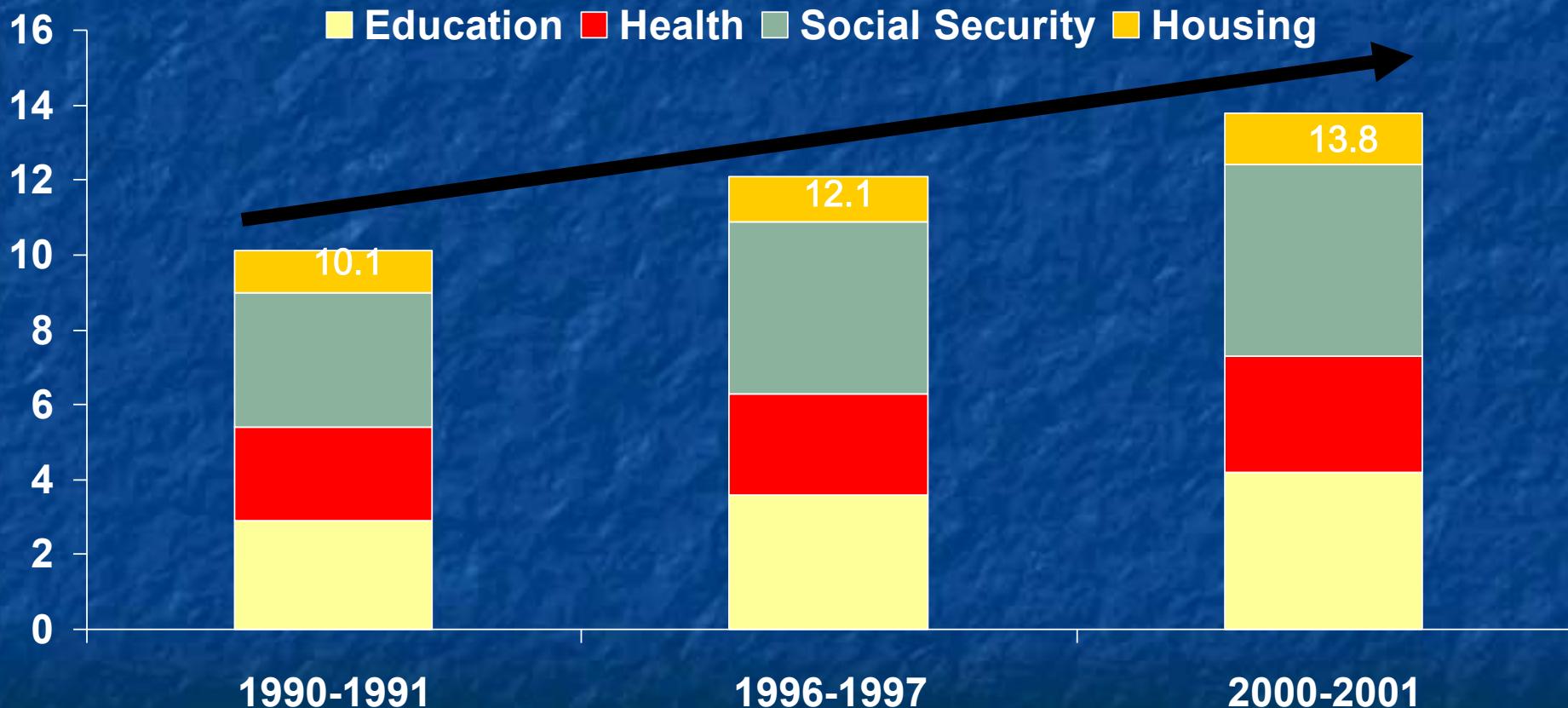
# ...E níveis de desigualdade são elevados em quase todos os países

LATIN AMERICA: HOUSEHOLD SHARE IN TOTAL INCOME BY INCOME QUINTILE, 2002



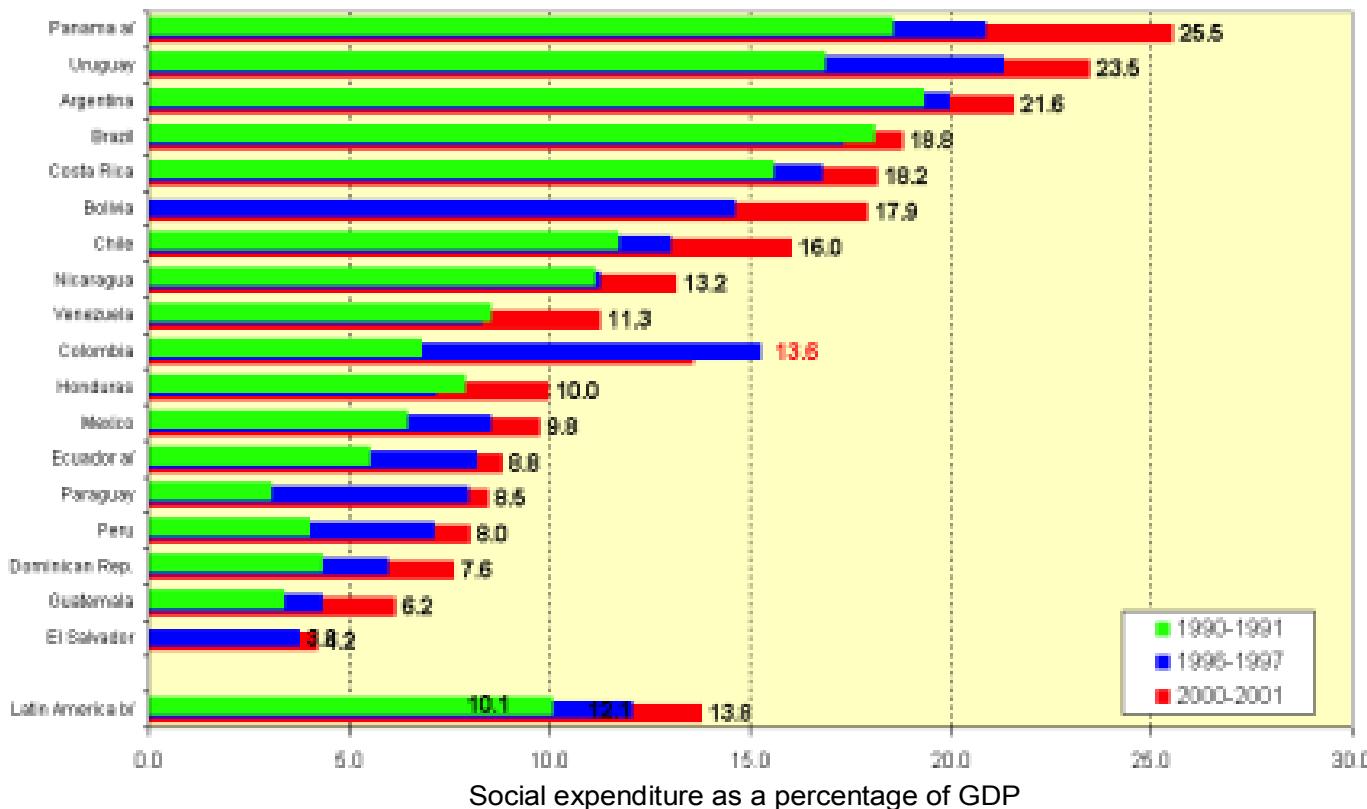
# O esforço da região na área social tem sido notável....

(Gasto social como percentagem do PIB)



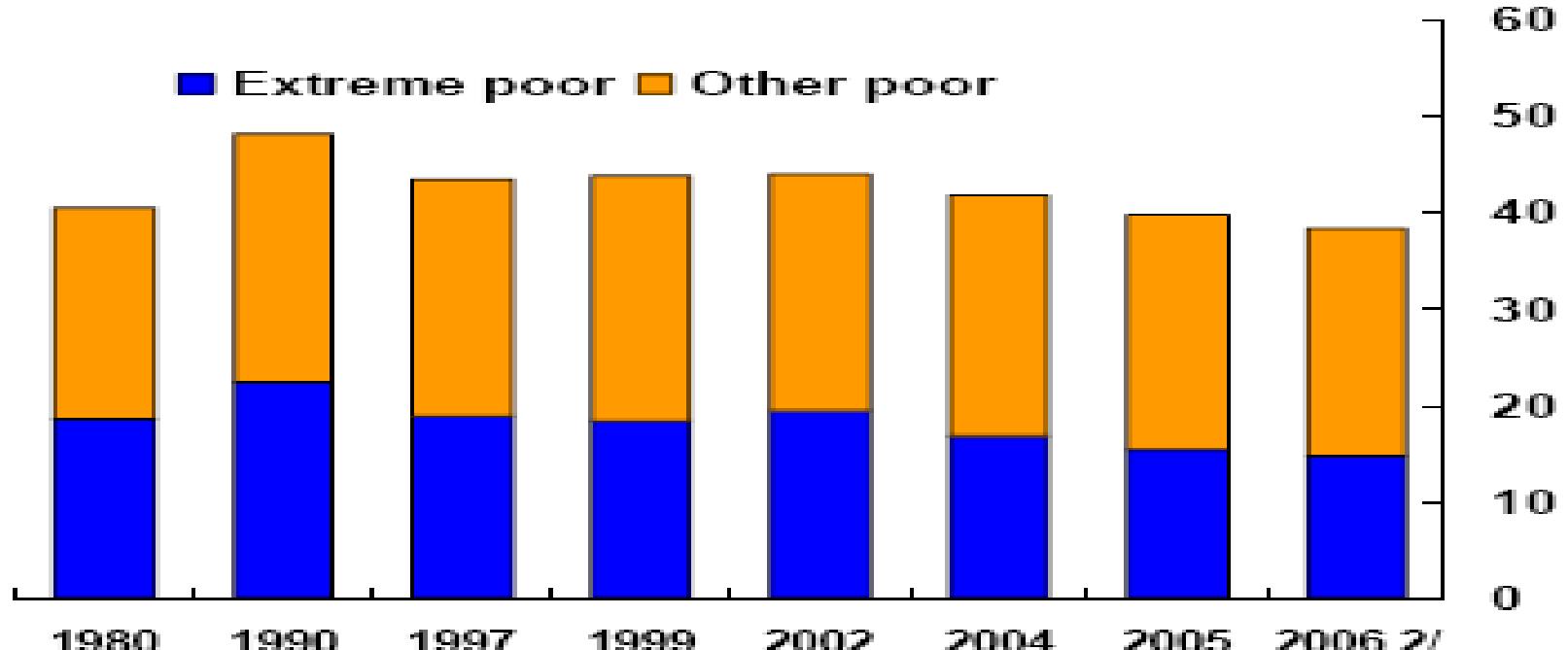
# .....Em quase todos os países latinos

## Social expenditure as a percentage of GDP 1990-1991, 1996-1997 and 2000-2001 (Percentages)



# Taxas de pobreza na região: melhorias recentes

**Latin America: Poverty Rates, 1980-2006 1/**



Source: ECLAC (2006).

1/ Population-weighted average for 19 countries.

2/ Estimates.

# Gasto social e desigualdade

**Table 8. Latin America: Distribution of Benefits from Social Spending to the Top and Bottom Quintiles 1/**

	Poorest quintile	Richest quintile
Education	20.2	20.4
Primary	29.0	7.9
Secondary	13.2	18.3
Tertiary	1.9	52.1
Health	20.6	17.6
Social security	5.6	51.2
Total social spending	15.0	30.4
Memorandum item:		
Share of quintiles in primary income	3.6	56.4

Source: Authors' calculations, based on ECLAC (2006a).

1/ Unweighted average. Country coverage varies by category. For total spending, total education, health, and social security spending, the number of countries covered is eight, thirteen, fourteen, and nine, respectively.

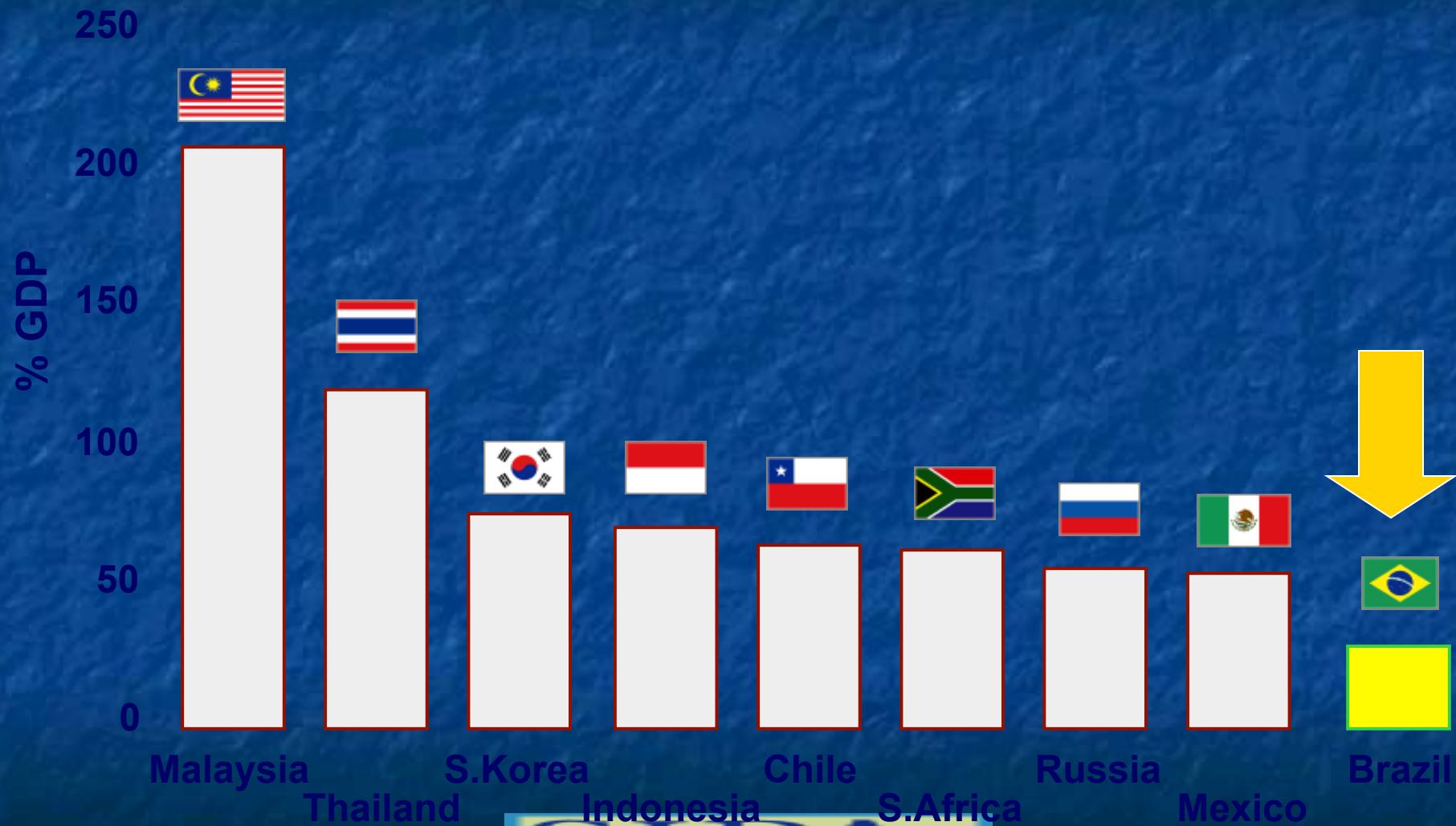


# Fundamentos: Outros Aspectos Importantes

- *Openness and trade*
  - Latin America far less open than other regions
  - Evidence from the Brazil case?
- *Financial crises*
  - Much more frequent than in other regions
  - Vulnerability to terms of trades shocks....
  - And to sudden stops in capital inflows



# Abertura comercial: o caso do Brasil



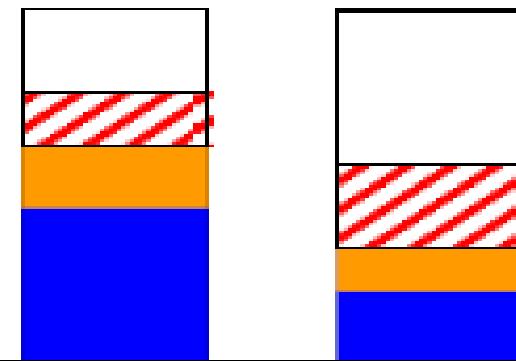
# Estrutura das exportações

## Export Structure Changes: Latin America and Emerging Asia, 1960s and 2000s 1/

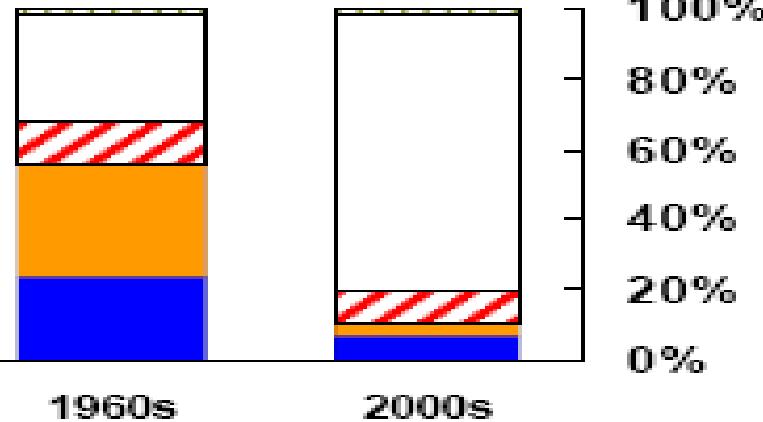
■ Food and related items  
■ Mineral fuels

■ Crude materials  
□ Manufacturing

Latin America 2/



Emerging Asia 3/



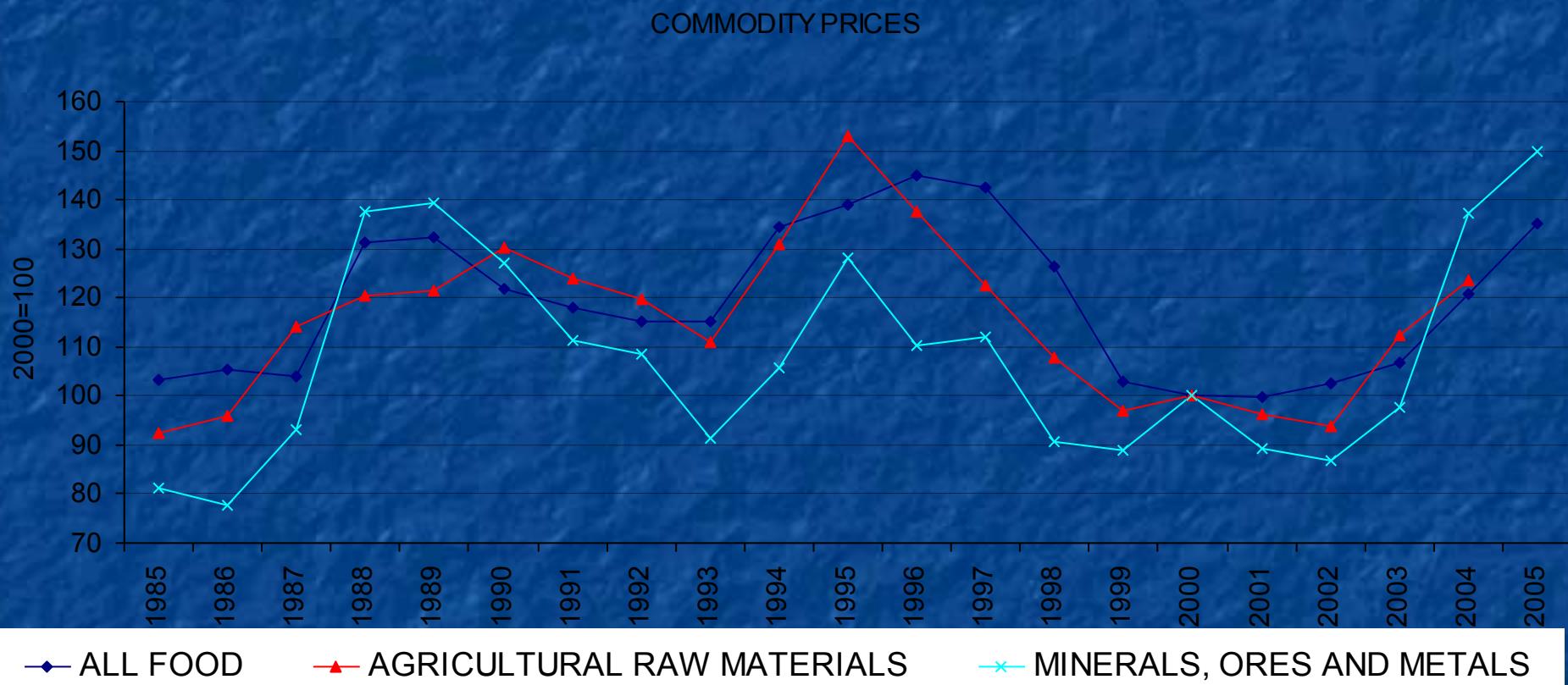
Source: UNCOMTRADE database.

1/ Unweighted average of country-specific shares (SITC Revision 1-based classifications) of each export category in total exports. Total exports refers to exports from a country to the rest of the world.

2/ Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.

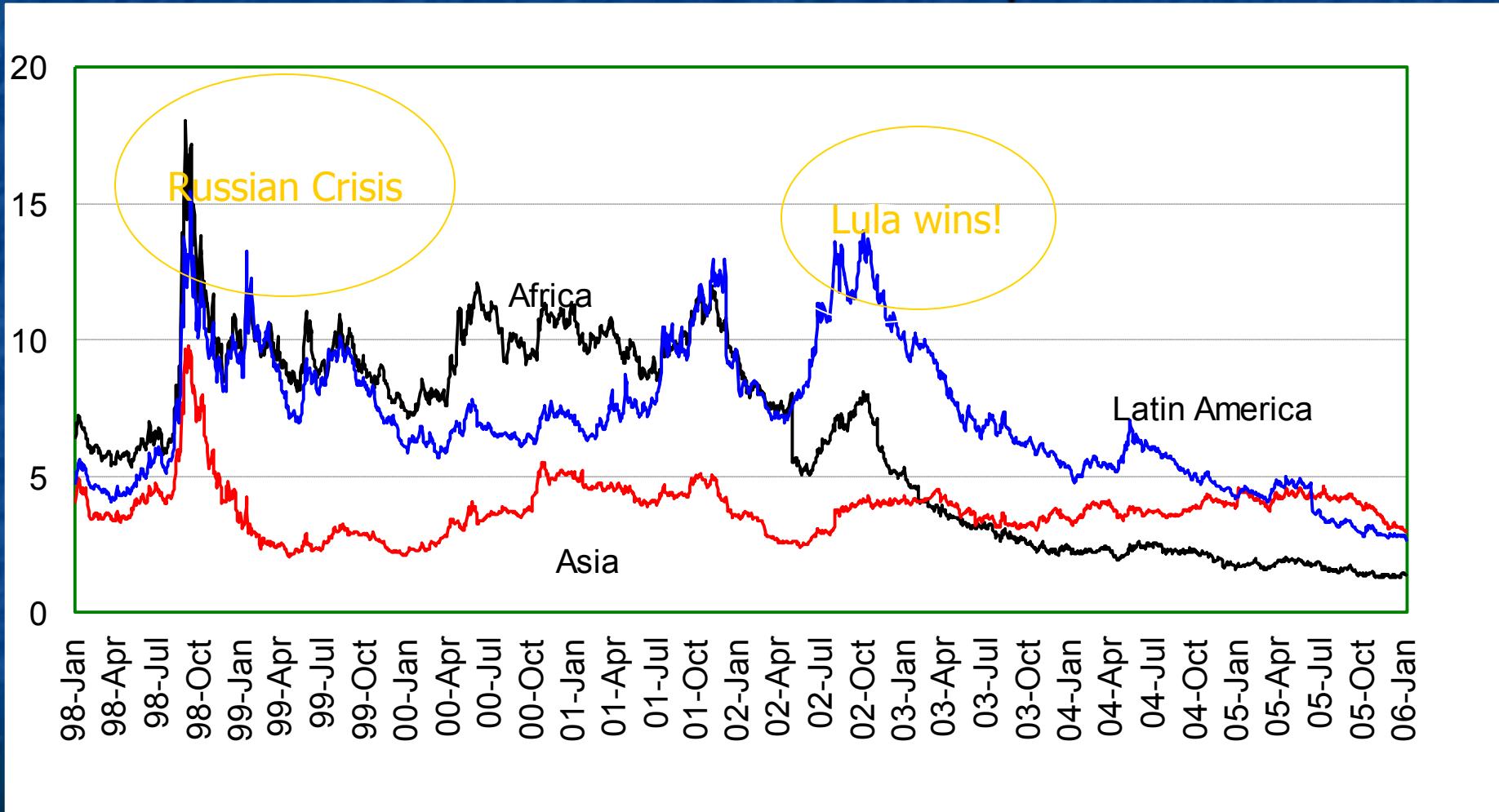
3/ China, India, Indonesia, Korea, Malaysia, Singapore, and Thailand.

# America Latina e as altas e baixas dos commodities...

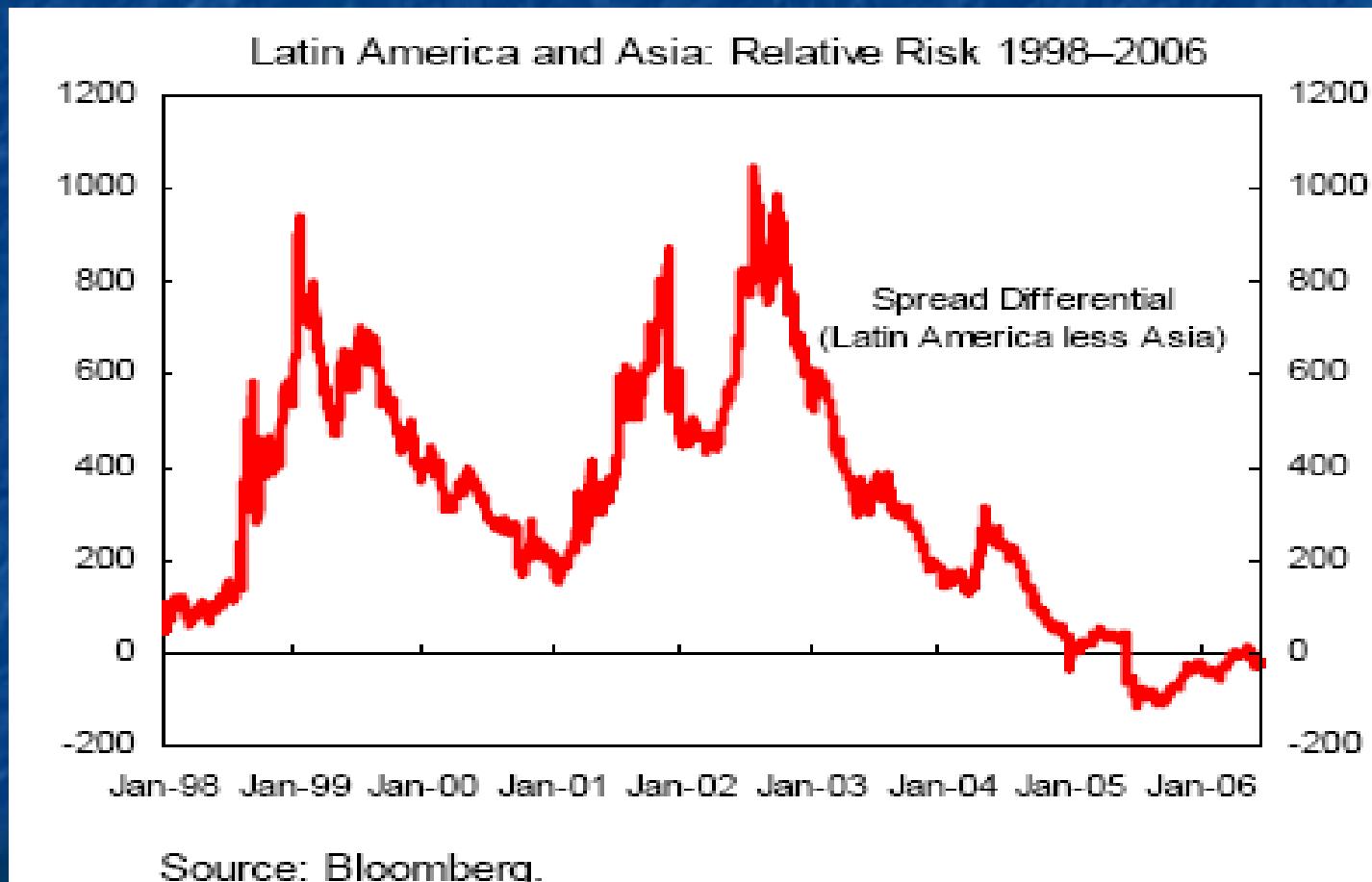


Ocampo

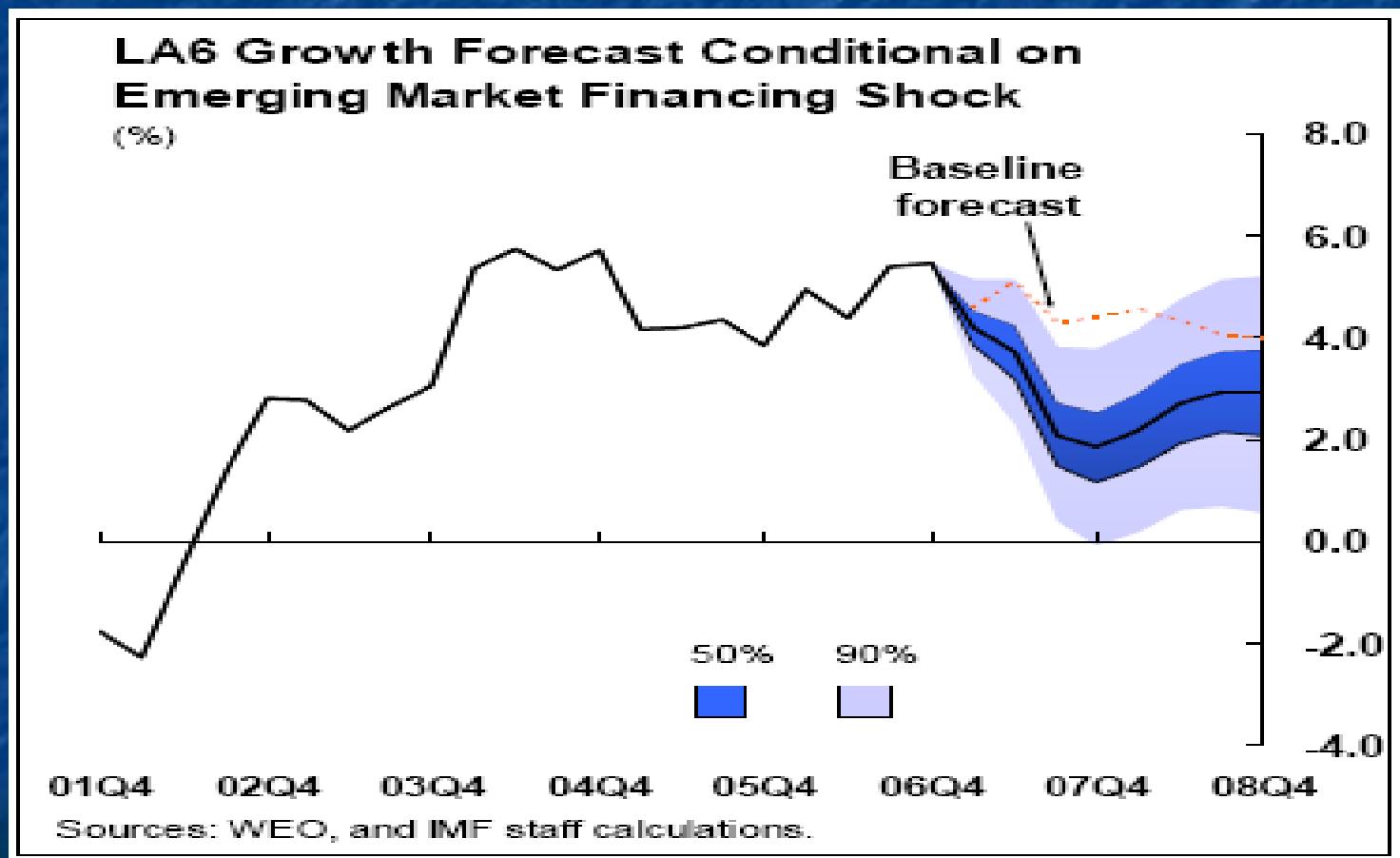
...E o vai e vem dos fluxos de capitais externos



# Risco País: América Latina contra Asia

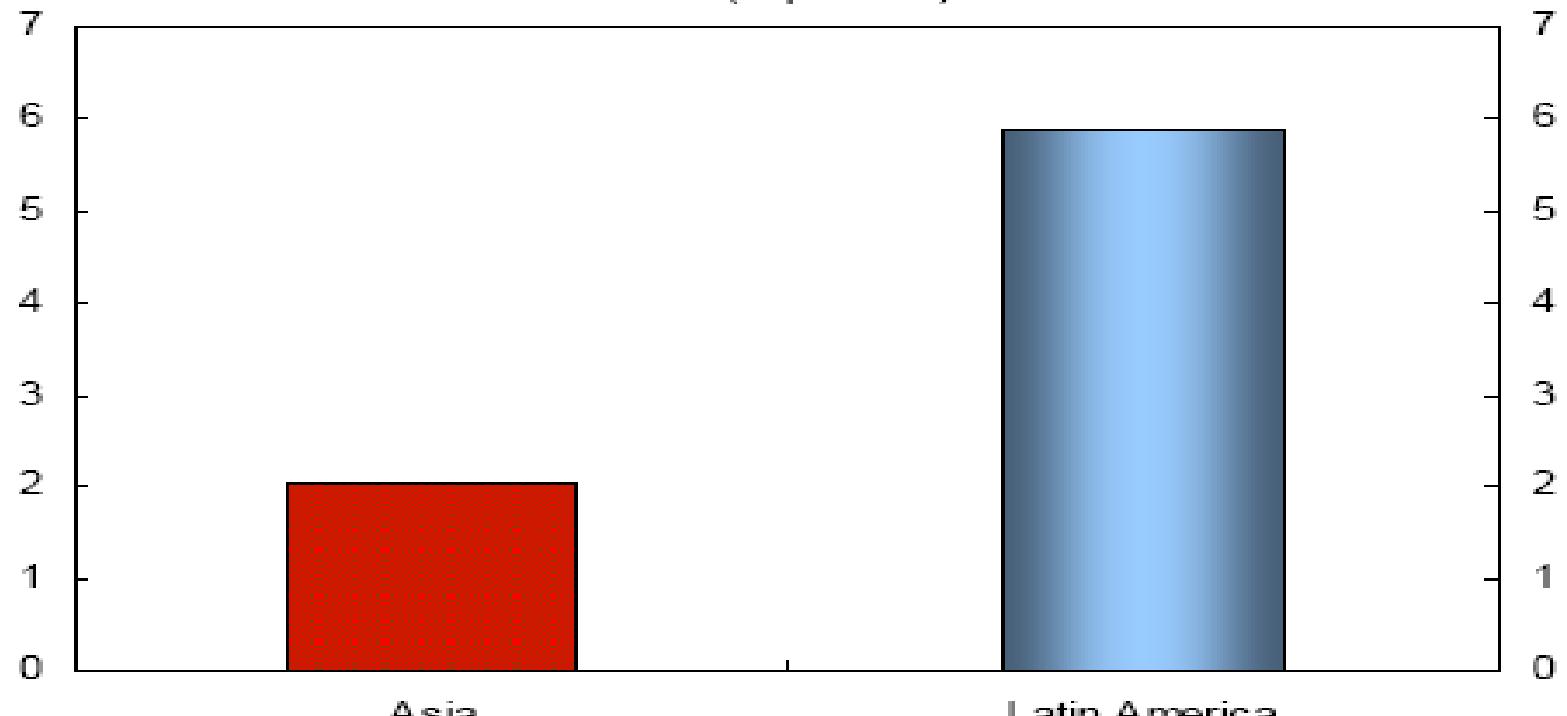


# Uma região ainda vulnerável ...



# Spreads bancários domésticos elevados

Figure 11. Net Interest Margins of the Banking Sector 1/  
(In percent)



Source: IMF staff estimates.

1/ Averages for 1995–2004 for selected countries in each region.



# Concluindo: o que fazer para acelerar o crescimento da região?

- *Reform more!*
- *Reforms went too far – government needs to be reintroduced!*
- *Reforms were irrelevant – fundamental constraints must be removed!!*



# “Mais reformas neoliberais” – Adiantam sim ou não?

- *Industry level studies after reforms*
  - Privatization, openness correlated with productivity
  - Flaws in the evidence:
    - “Level vs. growth” effects
    - Economy-wide implications?
- *Cross-country regressions: “Reforms good for growth in Latin America!” (2.5-3% per annum in GDP)*
  - Flaws in the evidence:
    - Half-full vs. half-empty: most gains due to stabilization, not to reforms
    - Reforms are not the same as “fundamentals”
    - Information drawn from too large a sample – “how fix the problems in this country?”



# “Reformas neoliberais foram excessivas e mau pensadas”!

- *Growth performance did not improve after reforms*
- *Unintended side effects (e.g., fiscal costs of pension reform, loss of employment) were more serious*
  - Flaws in the evidence:
    - *Conflates 1980s and 1990s (Ocampo chart)*
    - *Exaggerates the accomplishments of the 1960s and 1970s (JZ)*
- *Non-reformers (Venezuela, Argentina) are growing:*
  - Role of government, in particular, not well appreciated
  - “Infrastructure” needed for economic growth
    - *Extra credit reading: IMF 2005, Bolivia: Ex-Post Assessment of Long-term Program Engagement”, Country Report 05/139*
    - *Also, see other ex-post assessments*



# **“Reformas foram irrelevantes”**

- Reforms did not remove the “fundamental constraints” .
  - A search for the “Holy Grail”
  - Reforms led to a growth spurt, but not to sustained growth
- Institutions matter!
  - Property rights, competition and incentives for innovation and productivity growth, quality government services and policies
    - See IADB 2006 report on policymaking
- Human capital and education matter
  - Plus other factors as well:
  - Geography
  - Income distribution
  - Social cohesion



# Conclusões e Debate

- Latin America does suffer from a number of common problems:
  - *Lack of savings*
  - *Poorly functioning labor markets*
  - *Lack of openness*
  - *Lots of inequality*
- At the same time: more country-specific and reform-specific analysis is needed
  - *“One size does not fit all.”*
  - *Country problems are NOT all the same*
- If fundamentals really matter:
  - Can institutions be reformed, and how?
  - And where do you begin?



**MUITO OBRIGADO!**  
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