ACCESS FREE CENTRAL AMERICA PANAMA AND THE DOMINICAN REPUBLIC CHALLENGES FOLLOWING THE 2008 09 GLOBAL CRISIS

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Central America Panama And The Dominican Republic Challenges Following The 2008 09 Global Crisis Introduction

Central America, Panama, and the Dominican Republic

Central America, Panama, and the Dominican Republic coped well with the global financial crisis of 2008-09. The impact was generally less severe and shorter lived than in previous episodes, the balance of payments adjustment was orderly, and the stability of the financial system was not compromised. This resilience can be attributed to a large extent to the strengthening of the fiscal frameworks, monetary management, and financial reforms conducted in the years preceding the global crisis. Nevertheless, the region faces considerable challenges for the period ahead, including the need to raise medium term growth above historical levels and protect macroeconomic and financial stability. This book argues that meeting these challenges will have to come from within, in light of the anticipated modest demand growth from trade partners. Raising growth in the region will depend on the adoption of structural reforms that generate substantial productivity gains. Rebuilding fiscal space and securing debt sustainability will hinge on efforts to increase tax revenue and reorienting spending to social and investment priorities. In the non-officially dollarized economies, it will also be essential to strengthen the monetary policy frameworks to keep inflation low and increase exchange rate flexibility, and improve financial regulation and supervision.

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Spillovers to Central America in Light of the Crisis

This paper investigates Central America's external linkages over the last fifteen years of increased integration in light of the 2008-09 global recession. Using structural VAR models, it is found that a one percent shock to U.S. growth shifts economic activity in Central America by 0.7 to 1 percent, on average. Spillovers from global shocks and the rest of the region also affect activity in some countries. Spillovers are mostly transmitted through advanced country financial conditions and fluctuations in external demand for Central American exports. Shocks to advanced economies associated with the 2008-09 financial crisis lowered economic activity in the region by 4 to 5 percent, on average, accounting for a majority of the observed slowdown. The impact was almost twice as large as elasticities estimated on pre-crisis data would have predicted. These results underscore the importance of operating credible policy frameworks that enable a countercyclical policy response to external shocks.

Paving the Way to Sustained Growth and Prosperity in Central America, Panama, and the Dominican Republic

Abstract: Accelerating economic growth in Central America, Panama and the Dominican Republic (CAPDR) remains an elusive task. While the region performed relatively well in the post-global financial crisis period, over the last five years obstacles to growth have become more evident and new challenges have emerged. In response, the region has strengthened macro-financial frameworks but more progress will be required to pave the way to sustained growth and prosperity. This book considers the structural factors underlying the region’s growth outlook and assesses its macroeconomic and financial challenges to help shape the policy agenda going forward. The book first identifies the structural determinants of growth in the region related to: capital formation; employment; demographic factors, including immigration; productivity; and violence. It then highlights the importance of creating fiscal space through the design and implementation of fiscal rules and mechanisms to increase accountability (better quality of public spending, adequate policies to reduce income inequality and sustainable retirement plans). Finally, it presents recent evidence on the importance of a supportive financial sector for growth (including through financial inclusion and development).

Costa Rica

This article is a synopsis on Costa Rica’s international spillovers, potential estimates, fiscal challenges, and banking systems. Spillovers are originated by cross-country trade and financial linkages, and also by the impact of global fiscal consolidation. The banking sector has about one-third foreign bank assets, and these foreign investments are controlled by the United States. So a shock in the United States or China will have adverse effects on Costa Rica. To have a medium- and long-term sustainability, Costa Rica needs to have some fiscal adjustments.

The Economic Effects of Fiscal Consolidation with Debt Feedback

The past several years of recession and slow recovery have raised much interest on the effect of fiscal stimulus on economic activity, even as high public debts in many countries would call for fiscal consolidation. To evaluate the delicate balance between stimulus and consolidation requires measuring the size of fiscal multipliers, which often depends on having quarterly data so that exogenous fiscal policy shocks can be identified. We estimate fiscal multipliers using a novel methodology for identifying fiscal shocks within a structural vector autoregressive approach using annual data while controling for debt feedback effects. The estimation focuses on regions with scarce quarterly data (mostly low-income countries), and uses results for advanced economies, emerging market countries, and other broad groupings for which alternative estimates are available to validate the methodology. Differently from advanced and emerging market economies, fiscal consolidation in low-income countries has only a small temporary negative effect on growth while raising medium-term output. Shifting the composition of public spending toward capital expenditure further supports long-run growth.

El Salvador

In recent years, the IMF has released a growing number of reports and other documents covering economic and financial developments and trends in member countries. Each report, prepared by a staff team after discussions with government officials, is published at the option of the member country.

Guatemala

This Selected Issues paper estimates both Guatemala’s potential output and output gap using a wide range of econometric techniques. The analysis suggests that Guatemala’s potential output growth is about 3.5 percent for the whole sample period and that the output gap is almost closed. Results are highly robust among different methodologies. Among the methods used, several well-known time series filters and two different estimations of a state-space model are included. Additionally, a test for structural breaks in the series of potential GDP is presented. All methodologies conclude that the output gap at the end of 2012 is almost closed at -0.2 percent of potential GDP.

Global Financial Stability Report, April 2015

The current report finds that, despite an improvement in economic prospects in some key advanced economies, new challenges to global financial stability have arisen. The global financial system is being buffeted by a series of changes, including lower oil prices and, in some cases, diverging growth patterns and monetary policies. Expectations for rising U.S. policy rates sparked a significant appreciation of the U.S. dollar, while long term bond yields in many advanced economies have decreased—and have turned negative for almost a third of euro area sovereign bonds—on disinflation concerns and the prospect of continued monetary accommodation. Emerging markets are caught in these global cross currents, with some oil exporters and other facing new stability challenges, while others have gained more policy space as a result of lower fuel prices and reduced inflationary pressures. The report also examines changes in international banking since the global financial crisis and finds that these changes are likely to promote more stable bank lending in host countries. Finally, the report finds that the asset management industry needs to strengthen its oversight framework to address financial stability risks from incentive problems between end-investors and portfolio managers and the risk of runs due to liquidity mismatches.

World Economic Outlook, October 2018

Global growth for 2018–19 is projected to remain steady at its 2017 level, but its pace is less vigorous than projected in April and it has become less balanced. Downside risks to global growth have risen in the past six months and the potential for upside surprises has receded. Global growth is projected at 3.7 percent for 2018–19—0.2 percentage point lower for both years than forecast in April. The downward revision reflects surprises that suppressed activity in early 2018 in some major advanced economies, the negative effects of the trade measures implemented or approved between April and mid-September, as well as a weaker outlook for some key emerging market and developing economies arising from country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills. The balance of risks to the global growth forecast has shifted to the downside in a context of elevated policy uncertainty. Several of the downside risks highlighted in the April 2018 World Economic Outlook (WEO)—such as rising trade barriers and a reversal of capital flows to emerging market economies with weaker fundamentals and higher political risk—have become more pronounced or have partially materialized. Meanwhile, the potential for upside surprises has receded, given the tightening of financial conditions in some parts of the world, higher trade costs, slow implementation of reforms recommended in the past, and waning growth momentum.

World Economic Outlook, October 2019

Global growth is forecast at 3.0 percent for 2019, its lowest level since 2008–09 and a 0.3 percentage point downgrade from the April 2019 World Economic Outlook.

Central Bank Financial Strength in Central America and the Dominican Republic

This paper examines the financial strength of central banks in Central America and the Dominican Republic (CADR). Some central banks are working off the effects of intervention in distressed financial institutions during the 1990’s and early 2000’s. Their net income has improved since then owing to lower interest rates, a reduction in interest bearing debt, and recapitalization transfers. Claims on the government have fallen, but remain high and are typically reimbursed at below-market rates, and capital is negative when adjusting for this. Capital is sufficient to back a low inflation target given that the income position is supported by unremunerated reserve requirements. Capital is likely to increase over time, but only gradually, leaving countries vulnerable to macroeconomic risks. The capacity of CADR central banks to engage in macroeconomic stabilization would benefit from increased emphasis on low inflation as the primary objective of monetary policy and a stronger commitment by governments to recapitalization.

The Economics of Contemporary Latin America

Analysis of Latin America's economy focusing on development, covering the colonial roots of inequality, boom and bust cycles, labor markets, and fiscal and monetary policy. Latin America is richly endowed with natural resources, fertile land, and vibrant cultures. Yet the region remains much poorer than its neighbors to the north. Most Latin American countries have not achieved standards of living and stable institutions comparable to those found in developed countries, have experienced repeated boom-bust cycles, and remain heavily reliant on primary commodities. This book studies the historical roots of Latin America's contemporary economic and social development, focusing on poverty and income inequality dating back to colonial times. It addresses today's legacies of the market-friendly reforms that took hold in the 1980s and 1990s by examining successful stabilizations and homemade monetary and fiscal institutional reforms. It offers a detailed analysis of trade and financial liberalization, twenty–first century-growth, and the decline in poverty and income inequality. Finally, the book offers an overall analysis of inclusive growth policies for development—including gender issues and the informal sector—and the challenges that lie ahead for the region, with special attention to pressing demands by the vibrant and vocal middle class, youth unemployment, and indigenous populations.

Global Financial Stability Report, October 2009

The October 2009 Global Financial Stability Report chronicles the evolution of the path toward reestablishing sound credit intermediation and the near-term risks that could interrupt its restoration, including the rising burden of sovereign financing. The report addresses how to restart securitization markets and the pitfalls if done improperly. The effectiveness of unconventional public sector interventions and the principles for disengagement are discussed. The report also discusses the design of medium-term policies that aim to reshape the financial system to make it more resilient and stable.

Global Financial Stability Report, October 2019

The October 2019 Global Financial Stability Report (GFSR) identifies the current key vulnerabilities in the global financial system as the rise in corporate debt burdens, increasing holdings of riskier and more illiquid assets by institutional investors, and growing reliance on external borrowing by emerging and frontier market economies. The report proposes that policymakers mitigate these risks through stricter supervisory and macroprudential oversight of firms, strengthened oversight and disclosure for institutional investors, and the implementation of prudent sovereign debt management practices and frameworks for emerging and frontier market economies.

Global Financial Stability Report, April 2021

Extraordinary policy measures have eased financial conditions and supported the economy, helping to contain financial stability risks. Chapter 1 warns that there is a pressing need to act to avoid a legacy of vulnerabilities while avoiding a broad tightening of financial conditions. Actions taken during the pandemic may have unintended consequences such as stretched valuations and rising financial vulnerabilities. The recovery is also expected to be asynchronous and divergent between advanced and emerging market economies. Given large external financing needs, several emerging markets face challenges, especially if a persistent rise in US rates brings about a repricing of risk and tighter financial conditions. The corporate sector in many countries is emerging from the pandemic overindebted, with notable differences depending on firm size and sector. Concerns about the credit quality of hard-hit borrowers and profitability are likely to weigh on the risk appetite of banks. Chapter 2 studies leverage in the nonfinancial private sector before and during the COVID-19 crisis, pointing out that policymakers face a trade-off between boosting growth in the short term by facilitating an easing of financial conditions and containing future downside risks. This trade-off may be amplified by the existing high and rapidly building leverage, increasing downside risks to future growth. The appropriate timing for deployment of macroprudential tools should be country-specific, depending on the pace of recovery, vulnerabilities, and policy tools available. Chapter 3 turns to the impact of the COVID-19 crisis on the commercial real estate sector. While there is little evidence of large price misalignments at the onset of the pandemic, signs of overvaluation have now emerged in some economies. Misalignments in commercial real estate prices, especially if they interact with other vulnerabilities, increase downside risks to future growth due to the possibility of sharp price corrections.

Guatemala

This 2013 Article IV Consultation highlights that key developments in Guatemala since the 2012 Article IV Consultation have been positive. As commodity prices stabilized and domestic demand pressures weakened, inflation fell sharply in 2012—closing at 3.4 percent by December. Although subsequently inflation rose somewhat—to 4.3 percent by May 2013, owing mainly to domestic prices—it still remained within the central bank’s target range of 4.0±1 percent. The economic outlook is generally benign. Growth is expected to edge up to 31?2 percent in 2013 and 2014, reaching its potential rate, supported by ongoing buoyant domestic demand and healthy private-sector credit.

Publications Catalog, Fall 2014

This paper presents an overview of the book Collapse and Revival: Understanding Global Recessions and Recoveries that tracks the global business cycle through the destruction of a global recession to the renewal of recovery, drawing on four major episodes during the past half century. This book defines the terms of global recessions and recoveries; documents their main features; describes the events that take place around these episodes; puts the latest global recession and ongoing recovery in perspective; and analyzes the interactions between fluctuations in the global growth and national growth over the different phases of the global cycle.

A Decade after the Global Recession

This year marks the tenth anniversary of the 2009 global recession. Most emerging market and developing economies weathered the global recession relatively well, in part by using the sizable fiscal and monetary policy ammunition accumulated during prior years of strong growth. However, their growth prospects have weakened since then, and many now have less policy space. This study provides the first comprehensive stocktaking of the past decade from the perspective of emerging market and developing economies. Many of these economies have now become more vulnerable to economic shocks. The study discusses lessons from the global recession and policy options for these economies to strengthen growth and prepare for the possibility of another global downturn.

Budget Rigidity in Latin America and the Caribbean

Policy makers in Latin America and the Caribbean (LAC) often complain that poor fiscal performance in their countries is a result of a high degree of spending rigidity. Despite being a common complaint, the issue has remained largely ignored by the literature because of the lack of adequate measures of rigidity that allow cross-country and time series comparability. This report helps close this gap by introducing a new measure of spending rigidities that can be easily applied to multiple countries. It focuses on the categories of spending that are naturally inflexible--wages, pensions, transfers to subnational governments, and debt service--and separates them into two components: structural and nonstructural. The structural component is determined by economic, demographic, and institutional fundamentals. The nonstructural component is determined by short-run transitory factors associated with business and political cycles. The degree of rigidity of spending is then proxied by the ratio of structural spending to total spending, with a higher value indicating that spending is driven mostly by factors out of the policy makers' control. This concept of rigidity was applied to 120 countries for the years 2000†“17 and produced several interesting results: • Advanced economies and developing countries in other regions have higher levels of rigidity than countries in LAC. • The sources of rigidity vary by country. • Higher rigidity is associated with higher spending levels, higher tax rates, higher public debt, and lower efficiency of public spending. • Rigidity has pervasive effects on fiscal sustainability, increasing the country's financing needs and reducing the probability of the country starting a fiscal adjustment. Given these pervasive effects of spending rigidity, the report concludes by discussing several policies to contain the sources of rigidity in the long term, ranging from the importance of deepening the pension reform process to the need of establishing strong fiscal institutions promoting medium-term fiscal planning.

The Economies of Latin America

While Latin America accounts for approximately 7 percent of the world economy, easily accessible information on the economies of the region is not always easy to find. The existing literature on Latin American economics usually assumes some previous familiarity with the region and is focused on government policy choices. The Economies of Latin America is a book for the general reader needing a quick introduction to the economics of the region. The book is composed of three parts: the first explains Latin America's economic history and a description of the central economic challenges of the region. The second offers country-specific details. The final part deals with the economic future of the region where the authors put forth a Latin American version of success. This book is a useful, in-depth introduction for students of Latin American economics as well as the general reader.

Regional Economic Outlook, April 2007, Western Hemisphere

The past year has been one of strong economic performance for the Western Hemisphere, notwithstanding somewhat slower growth in the United States in recent quarters. Can this performance be sustained, and what challenges does the region face? Reviewing macroeconomic prospects and risks, this report pays particular attention to the influence of the external environment on Latin America, and addresses the question of whether Latin America has now succeeded in breaking with its history of periodic growth reversals.

Global Waves of Debt

The global economy has experienced four waves of rapid debt accumulation over the past 50 years. The first three debt waves ended with financial crises in many emerging market and developing economies. During the current wave, which started in 2010, the increase in debt in these economies has already been larger, faster, and broader-based than in the previous three waves. Current low interest rates mitigate some of the risks associated with high debt. However, emerging market and developing economies are also confronted by weak growth prospects, mounting vulnerabilities, and elevated global risks. A menu of policy options is available to reduce the likelihood that the current debt wave will end in crisis and, if crises do take place, will alleviate their impact.

Global Trends 2040

\"The ongoing COVID-19 pandemic marks the most significant, singular global disruption since World War II, with health, economic, political, and security implications that will ripple for years to come.\" -Global Trends 2040 (2021) Global Trends 2040-A More Contested World (2021), released by the US National Intelligence Council, is the latest report in its series of reports starting in 1997 about megatrends and the world's future. This report, strongly influenced by the COVID-19 pandemic, paints a bleak picture of the future and describes a contested, fragmented and turbulent world. It specifically discusses the four main trends that will shape tomorrow's world: - Demographics-by 2040, 1.4 billion people will be added mostly in Africa and South Asia. - Economics-increased government debt and concentrated economic power will escalate problems for the poor and middleclass. - Climate-a hotter world will increase water, food, and health insecurity. - Technology-the emergence of new technologies could both solve and cause problems for human life. Students of trends, policymakers, entrepreneurs, academics, journalists and anyone eager for a glimpse into the next decades, will find this report, with colored graphs, essential reading.

Foreign Direct Investment in Latin America and the Caribbean 2010

In 2010, the Latin American and Caribbean region showed great resilience to the international financial crisis and became the world region with the fastest-growing flows of both inward and outward foreign direct investment (FDI). The upswing in FDI in the region has occurred in a context in which developing countries in general have taken on a greater share in both inward and outward FDI flows. This briefing paper is divided into five sections. The first offers a regional overview of FDI in 2010. The second examines FDI trends in Central America, Panama and the Dominican Republic. The third describes the presence China is beginning to build up as an investor in the region. Lastly, the fourth and fifth sections analyze the main foreign investments and business strategies in the telecommunications and software sectors, respectively.

Expansionary Austerity New International Evidence

This paper investigates the short-term effects of fiscal consolidation on economic activity in OECD economies. We examine the historical record, including Budget Speeches and IMFdocuments, to identify changes in fiscal policy motivated by a desire to reduce the budget deficit and not by responding to prospective economic conditions. Using this new dataset, our estimates suggest fiscal consolidation has contractionary effects on private domestic demand and GDP. By contrast, estimates based on conventional measures of the fiscal policy stance used in the literature support the expansionary fiscal contractions hypothesis but appear to be biased toward overstating expansionary effects.

Financial Crises Explanations, Types, and Implications

This paper reviews the literature on financial crises focusing on three specific aspects. First, what are the main factors explaining financial crises? Since many theories on the sources of financial crises highlight the importance of sharp fluctuations in asset and credit markets, the paper briefly reviews theoretical and empirical studies on developments in these markets around financial crises. Second, what are the major types of financial crises? The paper focuses on the main theoretical and empirical explanations of four types of financial crises—currency crises, sudden stops, debt crises, and banking crises—and presents a survey of the literature that attempts to identify these episodes. Third, what are the real and financial sector implications of crises? The paper briefly reviews the short- and medium-run implications of crises for the real economy and financial sector. It concludes with a summary of the main lessons from the literature and future research directions.

Global Economic Prospects, June 2021

The world economy is experiencing a very strong but uneven recovery, with many emerging market and developing economies facing obstacles to vaccination. The global outlook remains uncertain, with major risks around the path of the pandemic and the possibility of financial stress amid large debt loads. Policy makers face a difficult balancing act as they seek to nurture the recovery while safeguarding price stability and fiscal sustainability. A comprehensive set of policies will be required to promote a strong recovery that mitigates inequality and enhances environmental sustainability, ultimately putting economies on a path of green, resilient, and inclusive development. Prominent among the necessary policies are efforts to lower trade costs so that trade can once again become a robust engine of growth. This year marks the 30th anniversary of the Global Economic Prospects. The Global Economic Prospects is a World Bank Group Flagship Report that examines global economic developments and prospects, with a special focus on emerging market and developing economies, on a semiannual basis (in January and June). Each edition includes analytical pieces on topical policy challenges faced by these economies.

Latin American Economic Outlook 2021 Working Together for a Better Recovery

The Latin American Economic Outlook 2021: Working Together for a Better Recovery aims to analyse and provide policy recommendations for a strong, inclusive and environmentally sustainable recovery in the region. The report explores policy actions to improve social protection mechanisms and increase social inclusion, foster regional integration and strengthen industrial strategies, and rethink the social contract to restore trust and empower citizens at all stages of the policy?making process.

World Economic Outlook, April 2020

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario--which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound--the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. The risks for even more severe outcomes, however, are substantial. Effective policies are essential to forestall the possibility of worse outcomes, and the necessary measures to reduce contagion and protect lives are an important investment in long-term human and economic health. Because the economic fallout is acute in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses domestically. And internationally, strong multilateral cooperation is essential to overcome the effects of the pandemic, including to help financially constrained countries facing twin health and funding shocks, and for channeling aid to countries with weak health care systems.

Global Economic Prospects 2010

â€œThe crisis has deeply impacted virtually every economy in the world, and although growth has returned, much progress in the fight against poverty has been lost. More difficult international conditions in the years to come will mean that developing countries will have to place even more emphasis on improving domestic economic conditions to achieve the kind of growth that can durably eradicate poverty.â€? â€”Justin Yifu Lin, Chief Economist and Senior Vice President The World Bank 'Global Economic Prospects 2010: Crisis, Finance, and Growth' explores both the short- and medium-term impacts of the financial crisis on developing countries. Although global growth has resumed, the recovery is fragile, and unless business and consumer demand strengthen, the world economy could slow down again. Even if, as appears likely, a double-dip recession is avoided, the recovery is expected to be slow. High unemployment and widespread restructuring will continue to characterize the global economy for the next several years. Already, the crisis has provoked large-scale human suffering. Some 64 million more people around the world are expected to be living on less than a $1.25 per day by the end of 2010, and between 30,000 and 50,000 more infants may have died of malnutrition in 2009 in Sub-Saharan Africa, than would have been the case if the crisis had not occurred. Over the medium term, economic growth is expected to recover. But increased risk aversion, a necessary and desirable tightening of financial regulations in high-income countries, and measures to reduce the exposure of developing economies to external shocks are likely to make finance scarcer and more costly than it was during the boom period. As a result, just as the ample liquidity of the early 2000s prompted an investment boom and an acceleration in developing-country potential output, higher costs will likely yield a slowing in developing-country potential growth rates of between 0.2 and 0.7 percentage points, and as much as an 8 percent decline in potential output over the medium term. In the longer term, however, developing countries can more than offset the implications of more expensive international finance by reducing the cost of capital channeled through their domestic financial markets. For more information, please visit www.worldbank.org/gep2010. To access Prospects for the Global Economy, an online companion publication, please visit www.worldbank.org/globaloutlook.

Transnational Organized Crime in Central America and the Caribbean

This report is one of several studies conducted by UNODC on organized crime threats around the world. These studies describe what is known about the mechanics of contraband trafficking - the what, who, how, and how much of illicit flows - and discuss their potential impact on governance and development. Their primary role is diagnostic, but they also explore the implications of these findings for policy. Publisher's note.

Rethinking Infrastructure in Latin America and the Caribbean

Latin America and the Caribbean (LAC) does not have the infrastructure it needs, or deserves, given its income. Many argue that the solution is to spend more; by contrast, this report has one main message: Latin America can dramatically narrow its infrastructure service gap by spending efficiently on the right things. This report asks three questions: what should LAC countries' goals be? How can these goals be achieved as cost-effectively as possible? And who should pay to reach these goals? In doing so, we drop the 'infrastructure gap' notion, favoring an approach built on identifying the 'service gap'. Benchmarking Latin America in this way reveals clear strengths and weaknesses. Access to water and electricity is good, with the potential for the region's electricity sector to drive competitive advantage; by contrast, transport and sanitation should be key focus areas for further development. The report also identifies and analyses some of the emerging challenges for the region—climate change, increased demand and urbanization—that will put increasing pressure on infrastructure and policy makers alike. Improving the region's infrastructure performance in the context of tight fiscal space will require spending better on well identified priorities. Unlike most infrastructure diagnostics, this report argues that much of what is needed lies outside the infrastructure sector †“ in the form of broader government issues—from competition policy, to budgeting rules that no longer solely focus on controlling cash expenditures. We also find that traditional recommendations continue to apply regarding independent, well-performing regulators and better corporate governance, and highlight the critical importance of cost recovery where feasible and desirable, as the basis for future commercial finance of infrastructure services. Latin America has the means and potential to do better; and it can do so by spending more efficiently on the right things.

UNESCO Science Report

Examines financial crises of the past and discusses similarities between these events and the current crisis, presenting and comparing historical patterns in bank failures, inflation, debt, currency, housing, employment, and government spending.

This Time Is Different

This paper reviews the empirical relationships between credit growth, economic recovery, and bank profitability in Europe after the global financial crisis (GFC). We find that the post-GFC recoveries in Europe have been weaker than previous recoveries, with the “double-dip” recessions in 2011–12 in many countries and the worldwide reach of the GFC explaining the underperformance. Bank lending has been subdued as well, but this appears to have only held back the recovery relatively moderately. A 10 percent increase in bank credit to the private sector is associated with a rise of 0.6–1 percent in real GDP and 2–21?2 percent in real private investment. These relationships have not changed significantly during and after the GFC. Loan quality, customer deposits, bank equity price index, and bank capital appear to be closely linked to bank lending. As expected, bank profitability is positively and significantly influenced by credit growth, but this relationship has weakened after the GFC.

Credit Growth and Economic Recovery in Europe After the Global Financial Crisis

How will China reform its economy as it aspires to become the next economic superpower? It’s clear that China is the world’s next economic superpower. But what isn’t so clear is how China will get there by the middle of this century. It now faces tremendous challenges such as fostering innovation, dealing with ageing problem and coping with a less accommodative global environment. In this book, economists from China’s leading university and America’s best-known think tank offer in depth analyses of these challenges. Does China have enough talent and right policy and institutional mix to transit from input-driven to innovation-driven economy? What does ageing mean, in terms of labor supply, consumption demand and social welfare expenditure? Can China contain the environmental and climate change risks? How should the financial system be transformed in order to continuously support economic growth and keep financial risks under control? What fiscal reforms are required in order to balance between economic efficiency and social harmony? What roles should the state-owned enterprises play in the future Chinese economy? In addition, how will technological competition between the United States and China affect each country’s development? Will the Chinese yuan emerge as a major reserve currency, and would this destabilize the international financial system? What will be China’s role in the international economic institutions? And will the United States and other established powers accept a growing role for China and the rest of the developing world in the governance of global institutions such as the World Trade Organization and the International Monetary Fund, or will the world devolve into competing blocs? This book provides unique insights into independent analyses and policy recommendations by a group of top Chinese and American scholars. Whether China succeeds or fails in economic reform will have a large impact, not just on China’s development, but also on stability and prosperity for the whole world.

China 2049

This paper provides a brief historical journey of central banking in Latin America to shed light on the debate about monetary policy in the post-global financial crisis period. The paper distinguishes three periods in Latin America’s central bank history: the early years, when central banks endorsed the gold standard and coped with the collapse of this monetary system; a second period, in which central banks turned into development banks under the aegis of governments at the expense of increasing inflation; and the “golden years,” when central banks succeeded in preserving price stability in an environment of political independence. The paper concludes by cautioning against overburdening central banks in Latin America with multiple mandates as this could end up undermining their hard-won monetary policy credibility.

Central Banking in Latin America

\"Selection of original papers presented at the international conference 'Latin America's Prospects for Upgrading in Global Value Chains,' held on 14-15 March 2012, at Colegio de Mexico, Mexico City\"--Title page vers

Global Value Chains and World Trade

As a response to the global financial and economic crisis that began in 2008, many developing and emerging-market economies undertook resolute countercyclical monetary and fiscal actions, which paralleled those of the developed countries. These policy responses contributed significantly to the recovery of the world economy in 2010 and 2011. In particular, the strong and fast responses of Brazil, China and India helped mitigate deflationary risks and avoid a repetition of the Great Depression of the early 1930s. On the other hand, reforms of financial regulation and supervision are taking time to advance, and little progress has been achieved so far in implementing measures to reduce global imbalances and to avoid a malfunctioning of the international exchange-rate system. These would contribute to greater coherence between the international trading and financial systems, and to creating a more stable international economic environment for development. This is a collection of papers that contribute to the debate on these topics, putting the South at centre stage. It examines how the countries of the South were affected by the global economic and financial crisis, and how they responded to it.

The Financial and Economic Crisis of 2008-2009 and Developing Countries

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