IDEA
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Research Department

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Working on Labor Markets in Latin America

People and their jobs—what could be more basic to someone's well being? Where people work determines how they live, how their families live, and how economies perform. The quantity and quality of jobs available have implications for people and countries alike, which is why the problems with Latin America's labor markets are so worrisome. Unemployment, underemployment, job instability and low wages are not just personal problems, they are national problems as well—and much of the region is suffering from them. Unemployment is at its highest in years; much of the labor force earns poverty-level wages; wage inequality is one of the highest in the world and is not getting any better; and while the probability of losing a job is high, only a dwindling minority of workers is insured against this risk. Not surprisingly, in public opinion surveys, Latin Americans identify unemployment, low wages and job instability as the most pressing problems in the region, ahead of corruption, crime and other troubling social ills.

Learning more about the complex environment in which people work in Latin America is the first step towards dealing with these problems. The most salient characteristics of today's labor market in the region can be summarized as follows:

> Unemployment, underemployment, job instability and low wages are not just personal problems, they are national problems as well—and much of the region is suffering from them.

- Latin America has witnessed a huge increase in female labor force participation in recent years. Women of all educational levels are participating more than a decade ago, but the largest increases have been among the least educated women.
- Unemployment has increased substantially and is higher among urban, female, young and semi-skilled workers.
- Job turnover is pervasive in Latin America. About one in every four jobs is created or destroyed in a given year.
- Social insurance is a rarity in Latin America, making unemployment a luxury few people can afford. Less than half of all workers enjoy severance benefits, which is the most prevalent form of social insurance in the region.
- After losing their jobs, workers often take substantial wage cuts and work at jobs unsuited to their skills. On average, displaced men tend to suffer larger wage losses than displaced women. Similarly, workers displaced from jobs that did not entitle them to social security and severance benefits have higher wage losses than covered workers.

Continued on page 2

IN THIS ISSUE

The Job of Labor Markets: How Do Countries Fare? 3
Myths about the Informal Economy 5
Beyond Unemployment 6
Treatments for Ailing Labor Markets 7
New Publications 8
Look Who's Talking 12
Network News 16

Coming Soon

Working on Labor Markets in Latin America

from page 1

- Most unemployed workers in Mexico and Argentina, the only countries for which job transitions could be studied, find jobs in the uncovered (or informal) sector. In Argentina, 81 percent of the unemployed who find work do so in jobs that do not offer social security. In Mexico, the figure is 62 percent.
- Many prime-age workers who become unemployed move into self-employment, small firms, or jobs without benefits. In Mexico, prime-age workers who become unemployed experience higher wage losses than younger and older workers. Prime-age men are also more likely to find jobs in the above-mentioned categories of employment than prime-age women or younger workers.
- Labor legislation in the countries of the region tends to be heavy on regulation but often poorly enforced. Worse yet, legislation often operates against the workers it is designed to protect.
- Compliance with the minimum wage is not universal and is lowest in countries where the minimum wage is relatively high.
- The International Labor Organization estimates that 18 million children in Latin America are involved in economically productive activities that directly or indirectly raise family income.
- The increase in skill premia has been significant. A worker with secondary education earns about 50 to 60 percent more than a worker with primary education. This differential is even larger for workers with tertiary education. On average, a college degree increases earnings by another 85 percent.
- Unions bargaining on behalf of their members can impact a firm's efficiency.
- Payroll padding is common in public sector firms, and layoffs have been inevitable as these companies are slated for sale to private owners. Many workers were displaced by privatization but were re-employed either by the same firm or by subcontractors and suppliers of the privatized firm.
- Latin American immigrants to the United States, up from 1.8 to 4.3 million between 1971 and 2000, are more educated and more likely to be economically active than the compatriots they have left behind, but less educated, on average, than Americans.
- Few resources or services are available to the unemployed in Latin America to aid them in their job search.

Clearly, labor markets are complex and important to individuals as well as national economies. For this reason, the Inter-American Development Bank has made labor markets the focus of the 2004 report on *Economic and Social Progress in Latin America*. The report presents an anatomy of Latin American labor markets, a diagnosis of their ills, and prescriptions for treating these ailments. This edition of IDEA is based on this report, summarizing some of the major issues and including some excerpts from *Good Jobs Wanted: Labor Markets in Latin America.*

This issue of *IDEA* is based on the research of Carmen Pagés and her collaborators for the 2004 report on Economic and Social Progress in Latin America entitled *Good Jobs Wanted: Labor Markets in Latin America.*

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IDEA (Ideas for Development in the Americas) is an economic and social policy newsletter published three times a year by the Research Department, Inter-American Development Bank. Comments are welcome and should be directed to IDEA's managing editor, Rita Funaro at Ritaf@iadb.org.

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The Job of Labor Markets: How Do Countries Fare?

Labor markets determine the lives of millions of people, each one different from the other and all very complicated and personal. The functioning of labor markets is a monumental task, and one that is carried out with varying degrees of success in different countries. Specifically, labor markets must carry out three major functions: allocate resources, incomes and risks. How well the labor market in each country does these jobs determines how efficient and equitable that market is.

When a labor market allocates resources, it matches workers with jobs. In an efficient job market, all workers willing to work find jobs that match their skills, and no job vacancies are left unfilled. A key point is that not only should workers have jobs, but also that they should have the right jobs given their education, skills, experience and the needs of the marketplace. Other indicators of how efficiently a market allocates resources include how long workers spend trying to find employment, the share of workers that would like to work more hours, and whether certain types of workers—distinguished by gender, age, skill or profession—suffer more than others from unemployment.

Overall, the performance of labor markets in Latin America in terms of fitting workers to jobs has been mixed during the 1990s. Some countries have persistently high unemployment rates, while others have rates that are perhaps too low for workers to be properly matched to good jobs. Many countries saw their unemployment rates rise towards the end of the decade when economic growth was slow. On the other hand, long-term unemployment is low in the region when compared to Eastern Europe or industrial countries. As far as the burden of unemployment on certain types of workers, women and youth suffered far more than men and prime-age workers. However, these unemployment gaps did not change much during the decade. Urban to rural unemployment gaps were also very large, although the relative difference actually fell during the period. Regarding skill levels, unemployment did not seem to be worse among the unskilled. If anything, the opposite seems to be true, with university-educated workers increasingly more likely to be jobless than their less skilled counterparts. All told, labor markets in Mexico, Honduras, Guatemala, Peru and Chile did the best in allocating workers to jobs, while Colombia, Panama, Uruguay and Paraguay did the worst.

The second major task of labor markets is to allocate earnings. Are workers paid a fair wage? That is a basic criterion on which to judge a country's labor performance. In a region where wage inequality goes hand in hand with income inequality, and where nearly half of workers in several countries earn less than $1 per hour, the knee-jerk response to this question would likely be that workers are not paid a fair wage. But it is important to clarify what is meant by "fair." The answer is twofold. First, fair refers to whether a worker is paid what he or she is worth; stated differently, the wage should reflect the worker's productivity. Second, workers of similar productivity should be paid similar wages regardless of gender, firm size or sector of employment.

Wages across the region have remained virtually stagnant over the past decade. However, contrary to popular belief, this is not because employers have chipped away at workers' share of output. Actually, wages and productivity have remained pretty much in line. The problem is that for Latin America as a whole, labor productivity growth in the 1990s was practically zero. Thus, using this yardstick, wages may be low, but they are "fair" when compared to productivity.

Labor markets would seem to be less fair when wage differentials are considered. Employees of large firms earn 29 percent more on average than employees of small firms. Workers in construction, retail, restaurants and hotels are paid less than those in manufacturing, while those in business and finance tend to earn more. Latin American men earn on average 26 percent more than women of comparable age and education. Interestingly, however, as lamentable as these differentials may be, they are not unlike those in the United States, a country with lower inequality than Latin America but still high by industrial country standards. The "unfairness" of Latin American labor markets in allocating earnings does not seem to come from here either.

Indeed, not all inequality in terms of earning is created in the labor market. Clearly, wage inequality exists, but much of it is simply reflected by the labor market, not caused by it. Instead, workers are paid very different wages because they are very different individuals. Variations in education, experience and gender explain an average of 35 percent of the labor income concentration in the region and about half of the concentration in Argentina, Costa Rica, El Salvador, Panama and Honduras. By far, educational differences account for

▶ Continued on page 4

The Job of Labor Markets: How Do Countries Fare?

▶ from page 3

the lion's share of inequality, explaining an average of one-fourth of labor income concentration.

All told, Latin American labor markets allocate incomes reasonably well, despite widespread wage inequality and low wages throughout the region. The problem is not so much the market. The problems are the snail's pace at which productivity has grown and the disparities in personal endowments, namely education.

Labor markets also allocate risks, the most obvious one being the loss of one's job. Workers who are displaced from their jobs not only lose income while they are unemployed but may suffer a further loss if they end up finding a job that pays less than what they were making before.

In a well performing market workers are protected against the risk of income loss. One way to protect against risks is if the labor market adequately performs its first function to properly allocate resources. If workers find new jobs quickly, their loss of income is kept to a minimum. For those who are left unemployed, unemployment insurance provides a cushion of support. Unfortunately, few countries in the region offer this benefit. Instead, the mechanism of choice in Latin America to insure these risks has been mandatory severance pay and indemnities for dismissal. If a firm fires an employee, that worker is entitled to compensation—and sizable compensation it is in many countries. Social security programs that offer old age pensions and health/maternity benefits are also fairly common, but provide far fewer benefits than in industrial countries.

If severance pay is so high and other social security benefits are higher than in much of the developing world, then why do so many Latin Americans work under the threat of unexpected illness, job loss or poverty in old age? The problem is coverage. On average, only 44 percent of workers in the region are protected by labor laws. To make matters worse, enforcement of labor laws in the region is poor. Therefore, the few who are entitled to benefits cannot always cash in on what they are due. Once coverage and enforcement are considered, the levels of insurance around the region turn out to be very low, particularly in Mexico, Peru, the Dominican Republic and Bolivia.

How do countries stack up in terms of the efficiency of their labor markets? Figure 1 shows that when the efficiency of markets in allocating resources and incomes is aggregated and the quality of labor market relations is factored in, Mexico, Costa Rica, Honduras and Peru come out in the lead while Argentina, Brazil, Panama and Uruguay show the greatest room for improvement. But efficiency is not everything. Indeed, equity may be equally important for some governments. The good news for policymakers is that at least in this case they may not have to make a choice. When efficiency is tracked against equity, there does not seem to be a tradeoff. In general, the better the labor market functions, the lower are the wage differentials between comparable workers and the higher is the measure of equity (See Figure 2). The rub is with insurance. Those countries that best protect their workers against the risk of losing labor income also tend to be the least efficient in the performance of their labor markets.

Figure 1. Summary of Efficiency in Labor Market Performance

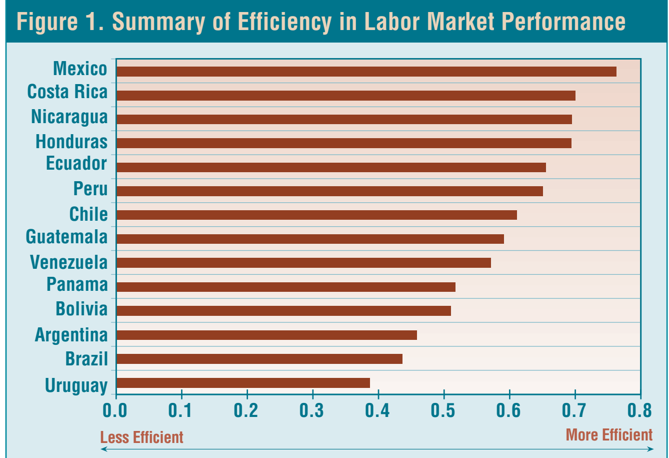
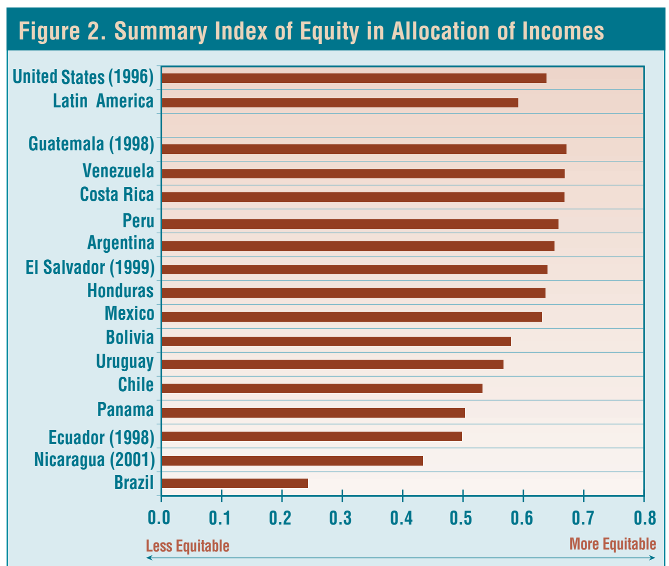


Figure 2. Summary Index of Equity in Allocation of Incomes



Myths about the Informal Economy

The informal economy is the dark side of the Latin American labor market, or is it? Self-employment sometimes offers a step up for people and a chance to increase their income. Thus, the informal economy is not always "dark." Nor is it a clearly defined "side" of the market. People constantly move in and out of so-called informal jobs. Focusing on the informal economy as the source of all labor ills risks turning a blind eye to other serious maladies.

What is the informal economy? It depends on whom you ask. For some it describes jobs that provide low incomes, low benefits, and little possibility of advancement. For others, informality is a measure of non-compliance with the state, or a means to get around labor laws or taxes. Still others, including the International Labor Organization (ILO), offer a more specific definition of informality as the sum of nonprofessional self-employed workers, domestic workers, unpaid workers and workers employed in firms with five employees or less. Each of these definitions describes a different set of workers. Yes, there is overlap, but there are also people who enter into one definition and not into another. The common thread is an underlying implication that jobs in this sector are "bad" and somehow inferior to jobs in the so-called formal sector.

Are all people who are self-employed or who work in small firms toiling away at miserable jobs? And are all miserable jobs in small firms? The answer to both questions is no. Many small firms may be low paying and have poor productivity, but they may also be thriving new enterprises. Many people may be pushed into self-employment because they have exhausted their employment options. However, people also voluntarily leave their jobs in large firms to strike out on their own, and some do very well. If self-employment is such a losing option, why do four out of five self-employed Brazilians prefer this status to a "formal" job? The answer may lie in the fact that many workers in large firms are paid below the minimum wage and receive no benefits in what are essentially dead-end jobs. In short, the distinction based on quality is very ambiguous.

Are all people who are self-employed or who work in small firms toiling away at miserable jobs? And are all miserable jobs in small firms? The answer to both questions is no.

Perhaps even more flawed is the dualistic view of the labor market. According to this view, the formal and informal economies operate in segmented labor markets and there is limited mobility between the two. Nothing could be further from the truth. On the contrary, there is high mobility across the informal and formal sectors, regardless of how these sectors are defined. Using the definition of an informal worker as one who does not receive the benefits mandated by labor laws, the average probability of an informal worker transiting to a job with these benefits is 16 percent in Mexico and about 12 percent in Argentina. The probability of a worker making the shift in the opposite direction is about the same. The magnitude of these movements is enormous: in a given six-month period, about 32 percent of workers in Mexico and 22 percent of workers in Argentina move either in or out of an informal job.

If self-employment or firm size is used as the defining characteristic of informality, the same degree of movement is apparent. In a given six-month period, about 23 percent of workers leave self-employment to become wage employees in Mexico and Argentina. The reverse is less common. Only about 5 to 6 percent of salaried employees in these countries move to self-employment. About 16 to 17 percent of the workers employed in firms with fewer than five employees move to large firms while an even larger percentage of workers in medium and large firms transit to small firms. The message is clear: at least in Mexico and Argentina, mobility between sectors is high.

Undoubtedly there are millions of street vendors, handymen and domestic workers who barely eke out a living throughout Latin America. But there are millions of workers in big-name companies who fare just as badly. At the same time, there are many self-employed painters, carpenters or workers in other such jobs who lead productive, economically rewarding lives. There is no clear-cut line. In fact, there may be no line at all.

Beyond Unemployment

Unemployment is not the bottom line when it comes to problems in the labor market. Actually, it's only the tip of the iceberg. Many people who are employed work in low paying jobs, hardly eking out a living. Besides, figures on unemployment also ignore the vast majority of activity that occurs in the labor market. In any given year, an enormous number of firms expand their workforces while many others trim their payrolls. And this happens in boom years and recessions alike, in industry and agriculture, in big and small firms, and in seasoned companies and market newcomers. In short, focusing on unemployment risks missing all the action.

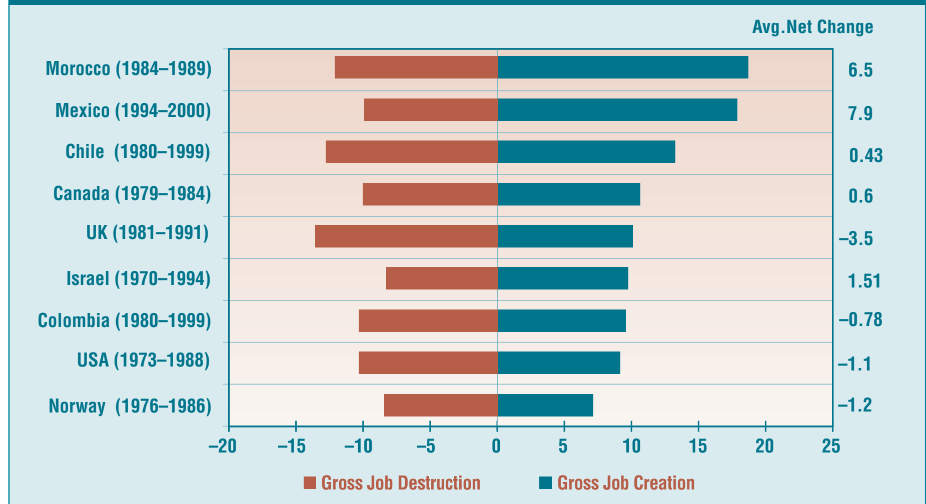


Figure 3. Average Annual Gross Job Flows in Manufacturing (Percentage of employment)

Total job turnover, measured as the sum of all new jobs created in a given year (job creation) and all old jobs destroyed in a given year (job destruction), gives a good idea of the enormous task accomplished by the labor market. In a sample of 12 Latin American countries, job turnover ranges from 16 to 35 percent. Total job turnover is orders of magnitude higher than the unemployment rate. In the case of Brazil, for instance, a change of 1.1 percent in the unemployment rate hides an impressive amount of activity in the labor market; gross flows indicate that each year one out of three jobs is either created or destroyed, meaning total job turnover is 31 percent.

Interestingly, this high level of job reallocation characterizes both developed and emerging market countries. The Latin American countries for which data are available show turnover rates within the ranges observed in developed countries. This is a surprise, considering that labor market regulations vary widely across countries. (See Figure 3)

But do all these gyrations in the job market really matter? Shouldn't the focus be on those who lose out in this game of musical chairs? In other words, even recognizing that there is an enormous amount of activity in the job market, isn't unemployment what's really important?

Not entirely. To begin with, focusing exclusively on the unemployed assumes that everyone else who has shifted around in the job market is a winner. This is far from the truth, particularly in Latin America, where most workers are ill prepared for this high level of mobility because social insurance covers only a small number of workers. Most workers cannot afford to remain without income while they search for jobs. These workers are forced to grab the first job that comes their way, even though waiting for a job that better fits the workers' abilities would result in higher productivity and, therefore, higher wages. The fact that wage losses tend to be higher for workers who change sectors or have higher tenure suggests that specific skills are lost in the process of displacement. Employers and employees alike may lose out as workers accept jobs below their ability or in areas not suited to their skills. Add to this the likelihood that re-employed workers will have to accept a wage cut and it is no wonder that in 1996, public opinion surveys revealed that more than 85 percent of Latin Americans were either unemployed or worried about losing their jobs. By 2001, this concern had increased in 11 of the 17 countries covered by the survey. The policy implication is that it is important for workers to have flexible skills and some kind of social insurance to reduce the cost of job instability.

Looking beyond unemployment to the massive movements in the job market also has important implications for growth and productivity. The lion's share of job reallocation is associated with firm-specific shocks that reflect changes in the demand for firms' products, the cost of inputs, or the technology used by individual firms. In other words, job turnover reflects the wide variation in firms' performance.

▶ *Continued on page 11*

Treatments for Ailing Labor Markets

Latin American labor markets are hurting, and so are millions of dissatisfied and discouraged workers. Jobs are hard to find, pay is low and stagnant, working conditions are often dangerous, and there is no authority to turn to if workers are abused or neglected. What can governments do to relieve their pain and to help workers lead better and more productive lives?

To begin with, governments can help by adopting policies to reduce macroeconomic volatility and create stable and growth-friendly macroeconomic conditions. This would go a long way towards reversing the two-decade-long stagnation in productivity and, therefore, real wages. In addition, governments can review their regulatory frameworks and step up enforcement. They can also promote private and public efforts to improve labor intermediation services to help displaced workers in their job search. And of course, education and training policies should aim to enhance workers' opportunities by increasing their skills.

But these efforts would not eliminate the very real risks that workers face every day in the labor market. Every year, a quarter of the total number of jobs will be either created or destroyed and many workers will be displaced. The lucky ones will move from job to job, but most will go through an unemployment episode, some will get stuck in unemployment, and still others will accept a lower paying job for lack of a better alternative.

There is no one-size-fits-all recommendation to help workers cope with the risks of job-churning. Traditionally, high severance payments or firing freezes have been the response to this problem. However, these benefits only cover workers with regulated contracts, which represent a minority in the region. More than half of the workforce is either self-employed or involved in unregulated, precarious employment relations. These are the people who need more widespread forms of social insurance.

The tools for building a social insurance system originated in the safety net program that Latin American governments adopted to cope with the crises of the 1990s. However, social insurance mechanisms and safety nets offer different treatments for different patients. While the rationale of safety nets is to protect the human capital of the poor during economic downturns, social insurance mechanisms should help all workers (not just the poor) cope with the normal process of job creation and destruction that are characteristic of modern economies. The implication is that labor market policies may require a higher dose of social insurance vis-à-vis poverty alleviation programs than what governments adopted and international financial institutions recommended during the 1990s.

There is no unique mix of policy instruments to build a social insurance system. Countries will have to select and adapt the prescription that best fits their circumstances. The only common element is the need to establish administrative and regulatory records of labor contracts. Any insurance "promise" is meaningless if workers cannot enforce it later on when conditions change.

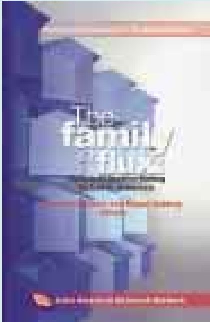
The medicine of choice in this social insurance system is unemployment insurance. However, to the extent that workers are not willing to pay for this benefit in the form of lower wages, and that it duplicates the function played by job security, unemployment insurance boosts labor costs and, therefore, dampens labor demand. Moreover, it is suitable only for workers who have regulated and registered labor contracts. For workers beyond the reach of unemployment insurance, the prescriptions available to policymakers are varied but not always recommended. Short-term training courses can bring low-skilled entrants to the job market up to speed with training, labor market experience and job search assistance. For displaced low-skilled workers, labor-intensive public works are the best choice to provide jobs at the local level. Wage subsidies should be used sparingly, if at all. The distortions caused by meddling with the relative wages of different types of workers are reason enough to counsel caution in this area. Finally, cash transfers to poor families are the mechanism of last resort to assist those families that fall through the cracks in the support system. This is where labor and poverty policies intersect in a strong way.

Perhaps the most important ingredient of a social insurance system is its financing. By its very nature, social insurance demands a counter-cyclical fiscal policy, because income must be transferred from booms to recessions. Ideally, unemployment insurance would automatically increase government expenditure as unemployment rises during a recession, and automatically reduce expenditure when employment recovers. Unfortunately, fiscal policy is particularly pro-cyclical in Latin America. At the very least, financing the social insurance system will require reducing this pro-cyclicality.

In the long run, Latin American countries would likely benefit from a more developed welfare state, both through greater macroeconomic stability and less risk for the population from aggregate shocks. In the words of Nancy Birdsall of the Carnegie Endowment for International Peace, it will demand "brilliant fiscal management," more trust by citizens in government, and more transparency and accountability.

New Publications

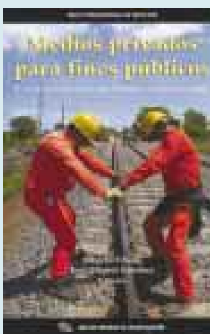
BOOKS



The Family in Flux: Household Decision-Making in Latin America

Edited by *Miguel Székely* and *Orazio P. Attanasio*

This book breaks away from the exclusively macroeconomic focus of development studies to bring the spotlight to the place where decisions are made: households. After all, aren't aggregate indicators such as consumption levels, employment growth, and savings rates driven by a multitude of one-off decisions—decisions made in a family context? Complementing this microeconomic view with an aggregate approach, this volume uncovers clues to declining fertility, skyrocketing female labor force participation and many other phenomena that are changing the face of economic activity in Latin America.



Medios privados para fines públicos: Participación privada en infraestructura en América Latina

Edited by Alberto Chong and José Miguel Sánchez

(Available in Spanish only)

The interest of Latin American countries in promoting private sector participation in infrastructure projects has increased significantly in recent years. A greater private sector role has helped improve public finances and efficiency while reducing the State's weight in productive activities. This volume analyzes the contractual arrangements that have been used and their impact on private investment. The lessons learned can help guide future endeavors and promote more effective private participation in the region's efforts to build and modernize its infrastructure.

RESEARCH DEPARTMENT WORKING PAPERS

Latin American Labor Markets in the 1990s: Deciphering the Decade (WP- 486)

By *Suzanne Duryea, Olga Jaramillo* and *Carmen Pagés*

This paper analyzes the recent performance of Latin American labor markets and finds that unemployment rates are on the rise in most countries and subregions of Latin America. The rise in unemployment over the 1990s is not driven by a higher proportion of women, adults or urban workers in the labor force, nor can it be attributed to an increasing demand for skilled workers. Instead, unemployment rates can be explained by a large rise in participation that has not been fully absorbed by increases in employment. It is also found that a large and in many countries growing proportion of workers are employed at very low-paying jobs. Finally, returns to higher education are increasing while returns to secondary education are declining in almost all countries.

Towards Effective Social Insurance In Latin America: The Importance of Countercyclical Fiscal Policy (WP-487)

By *Miguel Braun* and *Luciano di Gresia*

Social spending is procyclical in Latin America, but less so than total spending, indicating that the effectiveness of compensatory social policies designed to protect those vulnerable to crises is constrained by adjustments during recessions. This paper evaluates policy options to reduce procyclicality of fiscal policy, such as stabilization funds, fiscal rules and reform of budget institutions, and argues in favor of integrated policy proposals based on more country-specific analysis, such as the Fiscal Responsibility Law in Brazil.

Information Diffusion in International Markets (WP-488)

By *Alejandro Izquierdo, Jacques Morriset* and *Marcelo Olarreaga*

This paper identifies three channels through which information is disseminated in import and equity markets of 14 OECD countries. The first consists of information spillovers from commercial to financial markets and vice-versa. The second and third channels emphasize seller and buyer reputation in third markets. They are equally important in explaining bilateral import flows, but buyer reputation appears to be more relevant for equity flows. All three channels may help better explain contagion effects across markets and countries.

The Currency Union Effect on Trade: Early Evidence from EMU (WP-490)

By *Alejandro Micco, Ernesto Stein* and *Guillermo Ordoñez*

This paper estimates the early effect of the European Monetary Union (EMU) on trade, using a panel data set that includes the most recent information on bilateral trade for 22 developed countries from 1992 through 2002. The authors find that the effect of EMU on bilateral trade between member countries ranges between 5 and 10 percent, when compared to trade between all

▶ Continued on page 9

New Publications

▶ from page 8

other pairs of countries, and between 9 and 20 percent, when compared to trade among non-EMU countries. There is no evidence of trade diversion.

The FTAA and the Location of FDI (WP-491)
By *Eduardo Levy Yeyati, Ernesto Stein* and *Christian Daude*

What effect will the Free Trade Area of the Americas (FTAA) have on foreign direct investment (FDI) from the US and Canada to Latin American countries? How will the FTAA affect FDI from the rest of the world? What does the FTAA mean for a country such as Mexico, whose preferential access to the US may be diluted? Will there be winners and losers, and if so, what determines whether a particular country wins or loses? This paper examines the impact of regional integration on FDI and attempts to assess the likely impact of the FTAA on countries in Latin America.

LATIN AMERICAN RESEARCH NETWORK WORKING PAPERS

The Costs and Benefits of Privatization in Argentina: A Microeconomic Analysis (R-454)
By *Sebastián Galiani, Paul Gertler, Ernesto Schargrodsky* and *Federico Sturzenegger*

Argentina has followed the worldwide trend and undertaken an extensive privatization effort. But has it improved the welfare of Argentine workers and consumers? How has the transfer of local water and sewerage firms to private hands impacted health indicators such as child mortality? Given the massive layoffs involved, have post-privatization gains in profitability come at the expense of workers? Analyzing data for both financial and non-financial firms, this paper answers these and other questions to set the record straight on privatization in Argentina.

Costs and Benefits of Privatization: Evidence from Brazil (R-455)
By *Francisco Anuatti-Neto, Milton Barossi-Filho, Antonio Gledson de Carvalho* and *Roberto Macedo*

This paper looks at the results of privatization in Brazil for a broad range of economic variables to answer the question: Has widespread popular discontent with the program been justified? The paper also examines the effects of privatization on aspects that affect the development of financial markets, including minority shareholder rights. It concludes with recommendations for democratizing capital ownership through public offers in which workers would be entitled to participate using public sector liabilities such as Workers' Tenure Guarantee Fund deposits.

The Effects of Privatization on Firms and on Social Welfare: The Chilean Case (R-456)
By *Ronald Fischer, Rodrigo Gutierrez* and *Pablo Serra*

This paper finds benefits that vary across industries in Chile's privatization process. State-owned enterprises, which were efficient before privatization, nonetheless experienced efficiency gains. In the telecommunications and electricity sectors, which are regulated, natural monopoly sectors, profits have increased, whereas in competitive sectors profits have declined. Privatization of the main highways and ports has cut transportation costs. Privatizing the pension system has prevented pensions from being expropriated by the political system, and the privatization of the health insurance system has exposed inefficiencies in the public system.

Privatization in Colombia: A Plant Performance Analysis (R-458)
By *Carlos Pombo* and *Manuel Ramírez*

This paper describes the privatization of the manufacturing and power sectors of the Colombian economy during the 1990s. The findings for manufacturing suggest that those firms followed procyclical behavior relative to their private competitors and undertook tight plant operative restructuring. In the power sector, privatization and entry competition in power generation have had a positive impact on the privatized utilities' efficiency and investment, and regulatory policy has had a positive effect on productive efficiency.

OTHER PUBLICATIONS

Calvo, G. 2003. Explaining Sudden Stops, Growth Collapse and BOP Crises: The Case of Distortionary Output Taxes. NBER Working Paper 9864.

The paper discusses a model in which growth is a negative function of fiscal burden. Moreover, growth discontinuously switches from high to low as fiscal burden reaches a critical level. Growth collapse is associated with a Sudden Stop of capital inflows, real depreciation and a drop in output—all of which have occurred during recent financial crises in Emerging Markets. The monetary version of the model shows that BOP crises could be a result of fiscal distortions. It is argued that BOP crisis could be a justifiable central bank response to growth collapse, although circumstances may make this

▶ Continued on page 10

from page 9

response highly ineffective. An important policy implication of the model is that in order to avoid Sudden Stop crises, policymakers should aim at improving fiscal institutions. Lowering the fiscal deficit is highly effective in the medium term.

Calvo, G., O. Celasun and M. Kumhof. 2003. Inflation Inertia and Credible Disinflation: The Open Economy Case. NBER Working Paper 9557.

This paper develops a model of inflation inertia based on optimizing forward looking staggered price setting in a small open economy. In contrast to current models of sticky prices, transitions to a lower steady state inflation rate take time even if they are fully credible, and they are associated with significant output losses. There is a welfare tradeoff between these output losses and the gains from smaller inflationary distortions. For reasonable parameter values inflation stabilization improves welfare. The optimal steady state is reached at the Friedman rule.

Calvo, G., A. Izquierdo and E. Talvi. 2003. Sudden Stops, the Real Exchange Rate, and Fiscal Sustainability: Argentina's Lessons. NBER Working Paper 9828.

This paper offers an alternative explanation for the fall of Argentina's Convertibility Program based on the country's vulnerability to Sudden Stops in capital flows. By contrasting Argentina's performance relative to other Latin American countries that were also subject to the Sudden Stop triggered by the Russian crisis of 1998, we identify key vulnerability indicators that distinguished Argentina from its peers. We also provide an explanation for the political maelstrom that ensued after the Sudden Stop, based on a War of Attrition argument related to the wealth redistribution conflict triggered by the Sudden Stop and fiscal collapse. This framework also helps rationalize the banking crisis that accompanied the fall of Convertibility.

Calvo, G., and F.S. Mishkin. 2003. The Mirage of Exchange Rate Regimes for Emerging Market Countries. NBER Working Paper 9808.

This paper argues that much of the debate on choosing an exchange rate regime misses the boat. It concludes that the choice of exchange rate regime is likely to be of secondary importance to the development of good fiscal, financial, and monetary institutions in producing macroeconomic success in emerging market countries. This suggests that less attention should be focused on the general question of whether a floating or a fixed exchange rate is preferable, and more on these deeper institutional arrangements. A focus on institutional reforms rather than on the exchange rate regime may encourage emerging market countries to be healthier and less prone to crises.

Cowan, K. and Q-T. Do. 2003. Financial Dollarization and Central Bank Credibility. World Bank Working Paper Series 3082.

Why do firms and banks hold foreign currency denominated liabilities? Cowan and Do argue that foreign currency debt, by altering the effect of a devaluation on output, has a disciplining effect when the central bank's objectives differ from the social optimum. However, under imperfect information, bad priors about the central bank induce excess dollarization of liabilities, which in turn limits its ability to conduct an optimal monetary policy. The model has clear-cut policy implications for the taxation of foreign currency liabilities as a way to encourage perfect information and avoid dollarization traps and reinforces the argument for Central Bank independence.

Duryea, S., and M. Arends-Kuenning. 2003. School Attendance, Child Labor and Local Labor Market Fluctuations in Urban Brazil. World Development 31(7): 1165-1178.

While the income (poverty) effect on child labor is long established as a main determinant of child labor, there is a growing body of literature considering the pull of the labor market. This paper demonstrates that employment rates for adolescent boys and girls in urban Brazil increase as local labor market opportunities improve. Adolescents are also more likely to leave school as local labor market conditions become more favorable. In other words the substitution effect tends to more than offset the income effect during economic downturns.

Izquierdo, A., J. Morisset and M. Olarreaga. 2003. Information Diffusion in International Markets. Centre for Economic and Policy Research Discussion Paper 3872.

Specific information on trade and financial markets across international borders is costly to acquire. Sellers and buyers rely instead on information obtained from partner behavior in other countries. Three channels are identified through which information is disseminated in import and equity markets of 14 OECD countries. The first consists of information spillovers from commercial to financial markets and vice-versa. The second and third channels empha-

Continued on page 11

New Publications

▶ from page 10

size seller and buyer reputation in third markets. All three channels may help better explain contagion effects across markets and countries.

Izquierdo, A. 2003. What is the Role of Corporate Governance in Capital Flows? The Case of Latin America. In Corporate Governance and Capital Flows in a Global Economy, P.K. Cornelius and B. Kogut, eds. Oxford: Oxford University Press.

According to recent research, external factors and political governance considerations are key determinants of capital flows in Latin America. Corporate governance is a crucial determinant as well. While the region is characterized by relatively low levels of corporate governance, it shows highly volatile capital flows. The high level of economic volatility in the region is partly due to the behavior of capital flows which, in turn, is influenced by external factors. With better corporate governance the region could reduce the sensitivity of capital flows to external shocks and hence the volatility of its economy.

Skoufias, E. 2003a. Economic Crises and Natural Disasters: Coping Strategies and Policy Implications. World Development 31(7): 1087-1102.

This paper reviews twelve studies presented at a conference examining two broad themes: (i) the interplay between household coping strategies and the impact of crises and natural disasters on various dimensions of well being (e.g., consumption and child nutrition); and (ii) some of the ex-ante and ex-post strategies that public agencies can adopt to better protect households from the potentially adverse impacts of aggregate shocks.

---- 2003b. Is the Calorie-Income Elasticity Sensitive to Price Changes? Evidence from Indonesia. World Development 31(7): 1291-1307.

This paper uses data from the 1996 and 1999 SUSENAS surveys in Indonesia to examine whether the relationship between income changes and caloric availability has changed and if so how. The empirical analysis finds that the income elasticity of the demand for total calories is slightly higher in February 1999 (the crisis year with dramatically different relative prices) compared to its level in February 1996. Also the calorie income elasticity for cereals as a group increases while the calorie income elasticity for other food items decreases. This behavior is consistent with the presence of a binding subsistence constraint.

----. 2003b. Consumption Smoothing in Russia: Evidence from the RLMS. Economics of Transition 11(1): 67-91.

This paper uses panel data from rounds V-IX of the Russian Longitudinal Monitoring Survey (RLMS) to examine the extent to which households are able to protect their consumption from fluctuations in their income. It is found that consumption is only partially protected from idiosyncratic shocks to income with food consumption being better protected than nonfood consumption This suggests that adjustments in non-food expenditures may be an important component of the risk management tools of Russian households.

Beyond Unemployment

▶ from page 6

The fact that much job reallocation derives from plants that start up or shut down each year indicates that the owners or managers of young firms continuously adjust their production and labor force based on their changing perceptions of market conditions and production costs. This process of trial and error is important for growth. In countries with low entry and exit costs, entrepreneurs will launch many projects and follow through with the most promising ones. In countries with high entry and exit costs, entrepreneurs will have limited incentives to experiment and many good projects will never be tried. This also indicates that perennial churning is both a cause and a consequence of productivity growth. In fact, research has shown that the fact that less productive plants exit the market and new ones enter accounts for between 20 and 40 percent of total productivity growth. These results highlight the importance of having low entry and exit costs for firms.

Market economies are extremely fluid and require a constant reallocation of resources (employment) to their most efficient use. Losing sight of all this activity or obsessing on rates of joblessness risks turning a blind eye to key factors in promoting productivity, growth and welfare among workers, firms and economies as a whole. In fact, the main challenge of public policies in this area is how to keep the growth engine running while providing adequate insurance for workers.

Look Who's Talking

This section of the newsletter spotlights presentations or events sponsored by RES in recent months.

The Optimal Design of Labor Market Institutions

Olivier Blanchard (MIT) lectured at the IDB on April 18, 2003

In order to improve labor market outcomes, policymakers must look beyond immediate concerns to consider how institutions should best be modeled for each country. Approaching that ideal from the reality where they find themselves, policymakers must consider existing market imperfections and offer a menu of country-appropriate measures.

In designing policies and institutions, policymakers encounter two types of questions. First, the type and extent of market imperfections must be considered. These include i) the existence and extent of ex-post bargaining and ii) the presence of both large and small players in the bargaining process. Second, appropriate remedies, if any, and/or appropriate institutions must be considered. Possibilities include i) unemployment insurance, and the form it should take; and ii) employment protection, and its most appropriate form.

In an ideal labor market, workers are risk averse, firms are risk neutral, and there is no information or contracting problem. Firms will fully insure workers, pay a fixed wage, and make severance payments in the event of layoffs. Unproductive jobs will not be kept, as layoffs will occur if the cost of keeping an employee is greater than the severance. Such a set-up would eliminate any tradeoff between insurance and efficiency, and the state would have no reason to intervene.

But labor market conditions are not ideal. First, as the duration of unemployment is uncertain, fixed payments at separation provide poor insurance. Second, if payments are made over time, firms are poorly equipped to monitor unemployed workers' job search or even their employment status. This situation gives rise to an unemployment agency, as the state possesses comparative advantages in information and logistics.

Perhaps the most important difference between theory and practice is the presence of ex-post wage setting. This possibility tends to constrain hiring and increase unemployment, as firms are exposed to higher costs in wages and benefits, as well as losses of efficiency involved in hiring and training new workers. Under these circumstances, costs to firms can be offset by requiring them to provide less than full insurance and by requiring workers as well as firms to contribute to the unemployment insurance system. This approach is likely to produce some inefficiencies, and lower levels of protection, but it is likely to ensure broad coverage of workers.

A variety of issues have yet to be decided in the optimal design of labor market institutions. First, a benefits system based on open-ended payments, conditioned on the requirement that workers accept job offers, can prove difficult to carry out. In particular, agency workers who personally know unemployed workers are reluctant to force them to accept undesirable jobs. Second, there may still be a role for direct severance payments; although severance payments may not represent a highly efficient measure, they can offer some compensation for the mental and emotional costs of job loss. Third, the role of the judiciary in the unemployment system must be determined. Fourth, there may be a role for self-insurance by workers. Finally, other relevant institutions and policies must be considered. These include i) a minimum wage, if it is set at a low level; ii) the institution of a negative income tax/guaranteed income; and iii) support for education and training, as well as the retraining of displaced workers. In selecting an appropriate menu of institutions and actions, policymakers should attempt to determine what is the optimal set of institutions, then modify their designs in accordance with political economy considerations.

Weak States and the Black Hole of Public Administration

Francis Fukuyama (Johns Hopkins University School of Advanced International Studies) spoke at the IDB on May 9, 2003

Institutional capacity has received a wealth of attention in the field of political economy, and "institutions matter" is a much-repeated mantra in international development circles. As Professor Fukuyama argued, however, efforts to shore up institutional capacity have often foundered due to a failure to grasp the nature of public administration. Using a basic analytical framework for examining the role of the state in economic affairs, he illustrated how certain organizational dynamics inevitably thwart the best efforts of IFIs, development practitioners and other actors, and why pre-packaged pro-

▶ Continued on page 13

Look Who's Talking

▶ from page 12

grams to enhance governance are often doomed to fail.

Is it better to make a large, weak state smaller first, or stronger? The thinking of even hard-core free-marketers is evolving towards the latter: Milton Friedman recently said that although ten years ago he would have advised a transition country to "privatize, privatize, privatize," he has now come to appreciate the wisdom of having strong rule of law in place beforehand.

Yet how does one go about strengthening states? One of the key components is solid public administration. Fortunately, a highly developed body of technical knowledge on the subject exists, and some skills such as budgeting, central banking and human resource management are transferable—across people, contexts, and countries.

Not all aspects of public administration, however, are as amenable to formal, universal standards. The first complication relates to the division of labor. While in theory the assignment of jobs is fairly straightforward and hierarchical, in real-world organizations it inevitably creates its own dysfunctions, including barriers to information flow and innovation. Ultimately these are political problems requiring political solutions.

Further ambiguity is created by principal-agent issues. Systems of monitoring and accountability are often proposed as mechanisms for ensuring alignment of interests. Why are even the most expensive of these systems, however, frequently ineffective? In many cases, the long-term interests of the principals are unclear even to the principals themselves. The absence of a crystal ball in which to read the future opens the door to varying views and interpretations. The fact that many public sector outputs are produced by groups of civil servants also thwarts efforts to enforce individual accountability.

Aside from these internal organizational characteristics, the very nature of many governmental outputs defies ease of monitoring. Each output has two qualities: a transaction volume and a degree of specificity. The former refers to the number of decisions to be made in a given time period. Central banks, which might set interest rates a handful of times a year, have low transaction volumes, while public health systems display high ones. Specificity is the ease of gauging output quality. Aircraft maintenance reflects high specificity, while high school guidance counseling has low specificity. Products and services that are most friendly to monitoring mechanisms have high specificity and low transaction volume. Most outputs, however, such as public education, fall outside that category and therefore resist measurement.

How then, are institutions that produce those outputs to be strengthened? Here Fukuyama brought in the importance of softer factors such as social capital. While there is no way to mass-transplant cultural attitudes and practices, there are opportunities to cultivate organizational norms at the micro level, thereby internalizing accountability. For example, creating a workplace culture that fosters pride in the quality of one's output may be a desirable substitute for formal monitoring and accountability systems.

Boosting institutional capacity therefore tends to be more of an art than a science, and the best solution will often be local, or at least rely on a deep understanding of local conditions. In the case of tasks with low specificity and high transaction volume, a one-size-fits-all mentality in development research and programs is misguided. The lesson, therefore, is to be judicious in targeting institutions for capacity-building efforts, and to proceed in an informed and appropriate manner.

Fukuyama closed with the warning that outside efforts to install institutional capacity have sometimes caused more harm than good. A tradeoff often exists between quick results of development programs and building capacity by working through local organizations such as ministries of health. Due to short time horizons and a desire to address specific development problems, foreign donors often set up their own institutions to implement programs at the price of weakening local capacity. This issue of displacement must be confronted if practitioners of international development are serious about creating healthier, more muscular local institutions.

Rekindling Hope in Latin America: What Role for the IDB?

Ricardo Hausmann (Harvard University Kennedy School of Government) addressed the Board of Directros of the Bank, June 24, 2003.

After each of the two World Wars, most countries involved approached their pre-war levels of economic performance within seven years. Yet 20 years after the debt crisis, Latin America as a whole has seen very limited recovery. Why? Ricardo Hausmann advanced two possible—though not mutually exclusive—hypotheses for Latin America's two lost decades. The first explanation involves the devastating combination of capital flow volatil-

▶ Continued on page 14

▶ from page 13

ity and "original sin" (the inability of countries to borrow abroad in their domestic currency). The second suggests that growth theory itself is misguided. He then offered suggestions on what the IDB could do on both fronts to help boost growth in the region.

As in the early 1980s, capital flows to Latin America in the aftermath of the Asian crisis underwent an unexpected and sizeable "sudden stop." According to Hausmann, the sudden stop was caused by original sin. Of the approximately $84 billion in developing country debt held by US residents, only $2.6 billion is denominated in developing country currencies. In fact, the global financial portfolio is overwhelmingly concentrated in the so-called Big Five currencies. This creates an array of secondary problems for emerging markets. If a country accumulates net foreign debt, its wealth is affected by swings in the exchange rate. When the domestic currency depreciates, in the face of an unhedgeable currency mismatch and its effect on the country's balance sheet, the central bank is essentially hamstrung in its ability to carry out effective monetary policy. Exchange rate movements affecting emerging markets are large and persistent, leading in turn to fluctuations in real GDP. This constellation of problems can therefore lead to self-fulfilling crises.

What should the IFIs do to address this problem? Hausmann, Eichengreen and Panizza propose that the IFIs and G-7 governments issue debt in an index based on an inflation-adjusted basket of emerging market (EM) currencies. The index would present many advantages, including value appreciation, low volatility and negative correlation with industrial country consumption—all in all a promising vehicle for both investors and borrower countries. As the IFIs enjoy a AAA rating, they have access to a broad asset class and could hedge their currency exposure by converting loans to EM index members into indexed local currency loans. The IDB could also develop a long-term fixed rate market in New York for IDB loans in Latin American currencies. These bonds would be denominated in pesos but payable in US dollars under NY law. In this way IFIs would become a part of the solution to original sin, rather than part of the problem. Hausmann also outlined ways in which G-7 countries could issue debt denominated in the index without exposing themselves to currency mismatches.

Yet there is more to Latin America's disappointing economic track record than original sin and sudden stops. Part of the problem, explained Hausmann, is that the way policymakers and practitioners think about growth may be structurally inaccurate. Essentially, a country's income depends on the availability and productivity of factors, and on the perceived ability of investors to retain ownership of profits. Efforts to target reforms in these areas have fallen short, in part because it is difficult to identify problem sectors, to determine the nature of interaction between different areas of policy, and to disentangle cause from effect. For example, although much credence has been lent to factor accumulation as a tool for inciting growth, Hausmann maintains that in fact it is growth that drives accumulation through increased productivity and demand for factors. New thinking on how to foster growth is badly needed, as the best-laid plans go to waste without the political and fiscal stability to bring them to fruition, and such stability is difficult to maintain without growth.

How can developing countries break out of this Catch-22 dilemma? Through "self discovery:" the process of picking the right products. Most developing countries, rather than inventing new products, choose a range of goods and services in which to specialize from the mind-boggling array in the world marketplace. This is expensive and time-consuming, but once success is reached, the process is easily copied and refined. In order to play a supportive role in the process, governments need to break away from both extremes of a pro-market, hands-off approach and an overly protective stance that props up unviable industries. A better, third way can be achieved through measures such as attracting foreign investors and subsidizing technological adaptation, innovation and on-the-job training. The IDB can play a key role by applying a best-practices approach to building institutions that are effective in promoting self-discovery, and serving as a conduit for disseminating information and lessons learned across the region.

Causes and Consequences of Financial Stability in Latin America: Domestic vs. Global Responses for Curbing Financial Instability in Latin America

John Williamson (Institute for International Economics) addressed the IDB's Board of Directors on July 16, 2003.

John Williamson, who summarized the "Washington Consensus" that

▶ Continued on page 15

Look Who's Talking

▶ from page 14

shaped the policy reforms of the 1990s, observed that Latin America has suffered from financial instability since the early independence period. Some of the shocks experienced by the region have been internal, such as political crises and natural disasters, but most have derived from external sources. Countries in the region, however, have made themselves especially vulnerable to shocks through policy mistakes that have sharpened cyclical movements in their economies.

How can countries best reduce their vulnerability? As changes in the international financial system seem unlikely in the short term, countries should look domestically. Although stabilization funds have proven largely unsuccessful, given a lack of political will to refrain from spending surpluses, other policies are available.

The first of these is an explicitly counter-cyclical fiscal policy, preferably through the design and consistent use of automatic stabilizers. The objective of counter-cyclicality should be reinforced by political actions and by regional peer monitoring, inspired by the European Growth and Stability Pact. Additionally, tax revenue should keep up with nominal GDP growth, while expenditures should not increase faster than real GDP; a supply-side approach appears unadvisable.

Monitoring of fiscal policy should be undertaken by a region-wide body. The IMF is too large to focus effectively on this type of review, while a subregional organization such as Mercosur is too narrow in its scope. The FTAA might in theory provide mechanisms for such a review, but the experience of NAFTA and the US-Chile FTA offer little encouragement. One of the three existing regional organizations, the IDB, the OAS, or ECLAC, may be appropriate for this activity, though none is presently equipped for it. In order to undertake these activities, any of these organizations, particularly the IDB, must address the following issues: i) the means for developing expertise, ii) determining the costs related to fiscal policy monitoring, and iii) whether non-regional members of these organizations should recuse themselves from the monitoring process.

A second means of lessening vulnerability is to pursue an appropriate exchange rate policy. Crises in the region have often been provoked by attempts to maintain a fixed exchange rate or crawling peg. Those tools are now obsolete, and the larger countries in the region are floating, if not as freely as some would prefer. Given the obsolescence of fixed rates and crawling pegs, outright dollarization is also questionable.

The third area in which countries may reduce their vulnerability is by exercising greater restraint in borrowing when international capital flows are abundant and lenders are highly willing to lend. To moderate excessive private-sector borrowing when international capital flows are abundant, governments can undertake measures including capital controls, an encaje, and a Tobin tax; the latter two are more non-distortive and market-friendly than traditional capital controls, and they do not punish domestic financing.

Fourthly, countries can lessen their vulnerability to external shocks by reducing currency mismatches. Currency mismatching resulted from lenders' unwillingness to lend in currencies that are prone to inflation and loss of real value, and countries can undertake measures to assuage lenders' fears. One such measure is the indexation of long-term debt (as opposed to the indexation of wages or the money supply, which have both proven unsuccessful). Indexing long-term precludes the ability to "inflate away" debt, but at the same time reduces vulnerability to devaluations produced by shocks. Also worth considering is the Hausmann-Eichengreen-Panizza proposal [discussed in the Ricardo Hausmann presentation of June 24] whereby IFI-backed debt could be issued in a basket of emerging-market currencies.

Several questions attend the adoption of these measures. First, should countries consider selling indexed local debt to international investors? A possible disadvantage to this approach is a higher real interest rate than might occur with other instruments, but a possible offsetting benefit is that risk-sharing may improve. Second, would countries want to persuade the private sector to borrow in the same way and, if so, how could they do so? One possibility for incentivizing the use of indexed local debt in the private sector is to institute differential tax rates on payments and receipts for indexed as opposed to other debt. Third, what is the IDB's role in helping countries to reduce their vulnerability to shocks? To help eliminate mismatches, the IDB could reduce loans in foreign currencies and support bond issues in line with the Hausmann-Eichengreen-Panizza proposal. To reduce other sources of vulnerability, the IDB could assist countries through peer monitoring to ensure counter-cyclical policies, as well as encourage governments to limit foreign borrowing during capital booms and discourage excessive private sector borrowing.

Network News

The Latin American Research Network is pleased to announce the institutes selected to conduct the following studies:

Political Institutions, Policymaking Processes and Policy Outcomes

- Instituto DataBrasil, Universidade Cândido Mendes, Brasil
- Universidad Adolfo Ibañez, Escuela de Gobierno, Chile
- Fundación para la Educación Superior y el Desarrollo (FEDESARROLLO), Colombia
- Facultad Latinoamericana de Ciencias Sociales (FLACSO), Ecuador
- División de Estudios Políticos, Centro de Investigación y Docencia Económicas (CIDE), México
- Desarrollo, Instituto de Capacitación y Estudios, Paraguay
- Centro de Investigación, Universidad del Pacífico, Perú
- Departamento de Economía, Universidad de la República, Uruguay
- Universidad Católica Andres Bello (UCAB), & Instituto de Estudios Superiores de Administración (IESA), Venezuela

Corporate Governance in Latin America and the Caribbean

- Universidad de San Andrés (UDESA), Argentina
- Centro para la Estabilidad Financiera (CEF), Argentina
- The COPPEAD Graduate School of Business, Federal University of Rio de Janeiro, Brasil
- Centro de Gobierno Corporativo, Pontificia Universidad Católica de Chile (PUC)
- Universidad Del Rosario, Colombia
- Ecoanálisis, Costa Rica
- Instituto de Estudios Superiores de Administración (IESA), Venezuela

For more information on the individual proposals or on the Research Network please visit our web site: www.iadb.org/res/researchnetwork

Social Policy Monitoring Network

The second meeting of the Social Policy Monitoring Network will be held on November 6-7 in Rio de Janeiro, Brazil. This network aims to improve the ability of Latin American and Caribbean countries to evaluate the impact of social policies and to improve the design of policies in social areas. The focus of this meeting will be the evaluation of health and nutrition programs. www.iadb.org/res/socialpolicy

Latin American Financial Network

The first workshop of the Latin American Financial Network (LFN) will be held on Dec. 11-12 in Buenos Aires, Argentina. Organized by RES and the School of Business of the Universidad Torcuata Di Tella, the LFN aims to promote a high-level policy discussion on financial issues and foster bonds among the academic community and policymakers of Latin America and the Caribbean. The focus of this first workshop will be banking issues. www.utdt.edu/~lfn

Conferences and Seminars

Statesmen and Scholars for a Better Latin America
Oct. 30, Washington, DC

Globalization and Labor Markets in Latin America
Oct. 20-21, Brasilia, Brazil

Rethinking Structural Reform in Latin America
Oct. 23-24, Atlanta, GA

www.iadb.org/res/events