

The International Crisis and Latin America

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Abstract

Latin America has been strongly affected by the international crisis and recession since late 2008. In comparison to historical experience, how has Latin America coped with the global crisis, which has been the role of different transmission mechanisms, and how have the region's structural and policy conditions affected its sensitivity to foreign shocks? Moreover, what policies can protect the region better from world crises and shocks, and to which extent should it rely on a strategy of close trade and financial integration into a world economy punctuated by shocks and crises? This paper addresses the latter questions in three steps. First, by assessing empirically the sensitivity of growth in the region's seven major economies during 1990-2009 to large number of structural and cyclical factors, based on high-frequency panel-data estimations. Second, by using the latter results to decompose the amplitude of GDP reductions in both recessions according to the individual and combined contribution of the different growth factors. Third, to derive the main implications of the results for the choice of macroeconomic regimes and development strategies..

Keywords

Growth, Macroeconomic adjustment, Latin America.