

# Finance for Development

## *Latin America in Comparative Perspective*

---

BARBARA STALLINGS

*with*

ROGERIO STUDART

BROOKINGS INSTITUTION PRESS

*Washington, D.C.*

---

UNITED NATIONS

Economic Commission for Latin America and the Caribbean

# Contents

<i>Acknowledgments</i>	vii
<b>1</b> <i>Finance for Development: Issues and Trends</i>	1
Finance within a New Development Model in Latin America	
Latin America's Financial Sector Today: Stylized Facts	
Substantive and Methodological Contributions	
Overview of the Book	
 <i>Part I. Changes in Latin America's Financial System since 1990:     Comparisons with East Asia</i>	
<b>2</b> <i>Financial Liberalization, Crisis, and the Aftermath</i>	21
Financial Liberalization: Literature and Hypotheses	
Financial Liberalization: Empirical Trends	
Financial Liberalization and Crisis	
Rescue Programs: Costs and Outcomes	
Conclusions	
<b>3</b> <i>Changes in Ownership: Public, Private, and Foreign Banks</i>	52
Bank Ownership, Performance, and Institutions: Literature and Hypotheses	
Trends in Bank Ownership	
Ownership and Performance	
Ownership, Institutions, and Performance	
Conclusions	

<b>4</b>	<i>Toward Stability: Regulation, Supervision, and the Macroeconomic Context</i>	<b>82</b>
	Regulation and Supervision: Literature and Hypotheses	
	Regulation and Supervision: The State of the Art	
	Regulation, Supervision, and Financial Performance	
	Conclusions	
<b>5</b>	<i>From Banks to Capital Markets: New Sources of Finance</i>	<b>111</b>
	Capital Market Performance: Literature and Hypotheses	
	Comparing Financial Market Trends across Regions	
	Analysis of Financial Market Trends	
	Conclusions	
	<i>Part II. The Impact of the New Financial System on Investment and Access in Latin America</i>	
<b>6</b>	<i>Chile: Mixed Ownership Provides a New Model</i>	<b>145</b>
	Liberalization, Crisis, and Response	
	Changes in Structure	
	Finance, Investment, and Growth	
	Access to Finance for Small Firms	
	Conclusions	
<b>7</b>	<i>Mexico: Foreign Banks Assume Control</i>	<b>184</b>
	Liberalization, Crisis, and Response	
	Changes in Structure	
	Finance, Investment, and Growth	
	Access to Finance for Small Firms	
	Conclusions	
<b>8</b>	<i>Brazil: Public Banks Continue to Play a Key Role</i>	<b>222</b>
	Liberalization, Crisis, and Response	
	Changes in Structure	
	Finance, Investment, and Growth	
	Access to Credit for Small Firms	
	Conclusions	
	<i>Part III. Policy Recommendations for a Stronger Financial System</i>	
<b>9</b>	<i>A Policy Agenda for the Financial Sector</i>	<b>261</b>
	Banks and Capital Markets since 1990	
	Toward a Policy Agenda on Finance	
	Final Comments	
	<i>References</i>	<b>285</b>
	<i>Index</i>	<b>305</b>