

## Economic Growth in Latin America and the Caribbean

Stylized Facts, Explanations, and Forecasts

Norman Loayza Pablo Fajnzylber César Calderón



## **Contents**

Ack	tnowledgmentsvii
Introduction	
ı.	<b>Stylized Facts</b>
	Trend and Cyclical Components of GDP Growth14
	Growth Accounting
	Growth, Investment, and Saving
	Summary
2.	Determinants of Growth
	Setup
	Growth Determinants
	Transitional convergence
	Cyclical reversion
	Structural policies and institutions39
	Stabilization policies42
	External conditions43
	Sample and Descriptive Statistics
	Estimation Methodology
	Results51
	Main results51
	Comparison with results under other estimation methods and time horizons
	Growth Explanations58
	Explaining changes in growth rates over time
	Explaining differences in growth rates across countries
3.	Growth in the Future
	Future Growth under Realistic Expectations
	Projections for growth determinants
	Forecasts for the average country in Latin America and the Caribbean 80
	Country forecasts
	Future Growth under Sharp Reform
4.	Conclusions

APPENDIXES
A. Solow Growth Accounting97
B. Definitions and Sources of Variables Used in Regression Analysis
C. Sample of Countries
D. Explaining Changes in Growth by Country
<b>Bibliography</b>
LIST OF BOXES
1. Literature Review on Economic Growth in Latin America and the Caribbean 3
LIST OF TABLES
1. Growth Rates of GDP Per Capita by Region, 1961-2000 8
2. Growth Rates of GDP Per Capita by Country, 1961-2000
3. Growth Rates of Trend GDP Per Capita by Region, 1961–200014
4. Growth Rates of Trend GDP Per Capita by Country, 1961-2000 16
5. Volatility of GDP Per Capita by Region, 1961–2000
6. Volatility of GDP Per Capita by Country, 1961–200018
7. Simple Growth Accounting, 1961–2000
8. Growth Accounting Adjusted for Human Capital, 1961–2000
9. Growth Accounting Adjusted for Human Capital and Input Utilization, 1971–2000
10. Saving, Growth, and Investment: Bivariate Causality Analysis
11. Descriptive Statistics of Economic Growth and Its Determinants: Univariate Statistics
12. Descriptive Statistics of Economic Growth and Its Determinants:
Bivariate Correlations
13. Economic Growth Regressions: Various Estimation Methods
14. Economic Growth Regressions: Various Time Horizons
15. Explaining Changes in Growth between Decades
16. Explaining Changes in Growth between Five-Year Periods
17. Explaining Differences in Growth Rates with the Best-Performing  Country in the 1990s
18. Procedures for Computing Projections under a Scenario of Continuing Trends
19. Growth Forecasts under a Scenario of Continuous Trends
20. Growth Forecasts under a Scenario of Sharp Progress to the Top 25 Percent of Latin American and the Caribbean
21. Growth Forecasts under a Scenario of Sharp Progress to the Top 25 Percent of the World