

Macroeconomic and Financial Challenges Facing Latin America and the Caribbean after the Crisis

A Project of the Latin American and Caribbean Research Network

In the aftermath of the global financial crisis and subsequent recovery, policymakers in emerging and developing economies face diverse macroeconomic and financial challenges. The post-crisis global economy has implied strong commodity prices and relatively easy conditions for enhanced access to international capital markets. One question is whether firms, particularly in non-tradable sectors, have increased dollar debt and whether corporate balance sheets might imply vulnerabilities if relative prices change. Other macroeconomic challenges stem from the expansion in global liquidity and low yields in advanced economies, and the concomitant capital inflows to emerging economies in search of higher returns. There may be concerns associated with potential, excessive growth in credit, upward pressures on asset prices, and increased vulnerability to sudden stops. Another concern relates to the effects on the real economy reminiscent of the Dutch Disease, associated with significant commodity booms. Similarly, increased exposure of the private sector to foreign-currency debt, and relatively short-term bank balance sheets, may trigger deleterious balance sheet effects when advanced-economy central banks taper asset purchases, and global interest rates start climbing back to more normal levels.

This project will sponsor a set of research papers focusing on Latin America and the Caribbean that may individually tackle various aspects of these challenges in a particular country in the region, or consider one theme across a set of countries. In this way, the project will include an interesting collection of papers representing the spectrum of current economic challenges for the region as a whole. Under a novel agreement, the IDB and the *Journal of International Money and Finance* (JIMF) will organize a conference in 2014 dedicated to this project, and a special issue of the JIMF will be published, including selected papers from the conference. Papers selected for both the conference and the special issue will undergo a standard reviewing process.

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