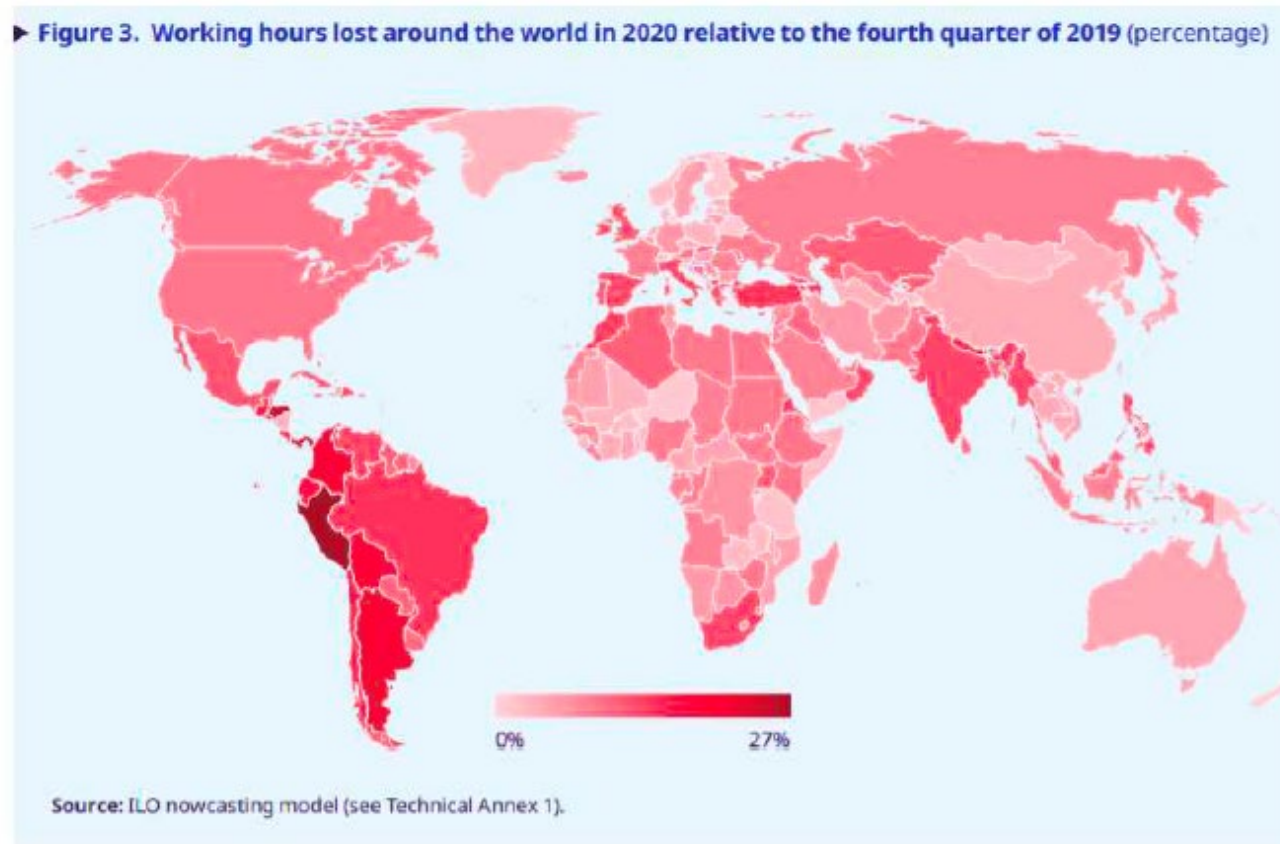

Policy Challenges After Covid: What Can Research Tell Us?

Laura Alfaro

Harvard Business School, CEPR & NBER

EMEs Hard Hit by Covid: LATAM in Particular



Heterogeneity: Fiscal Space to Institutional Capacity

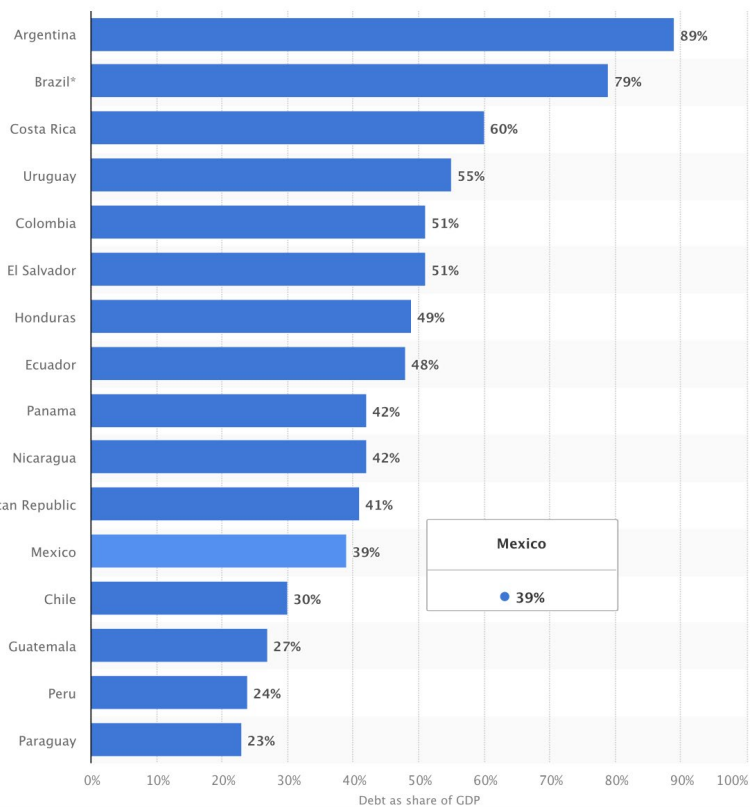
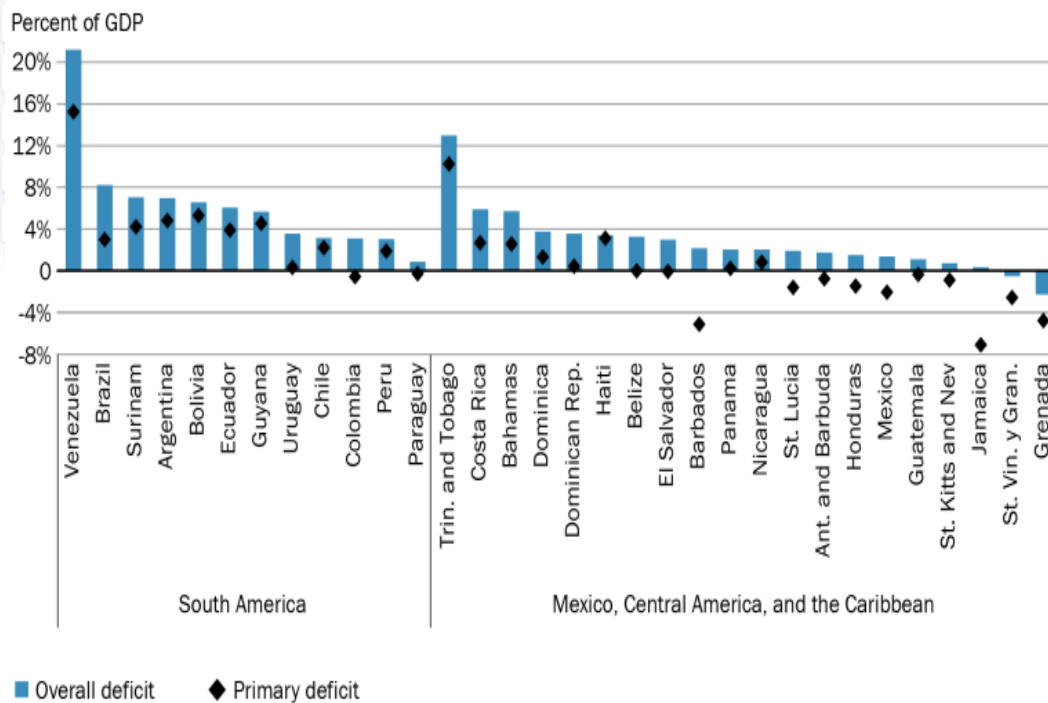


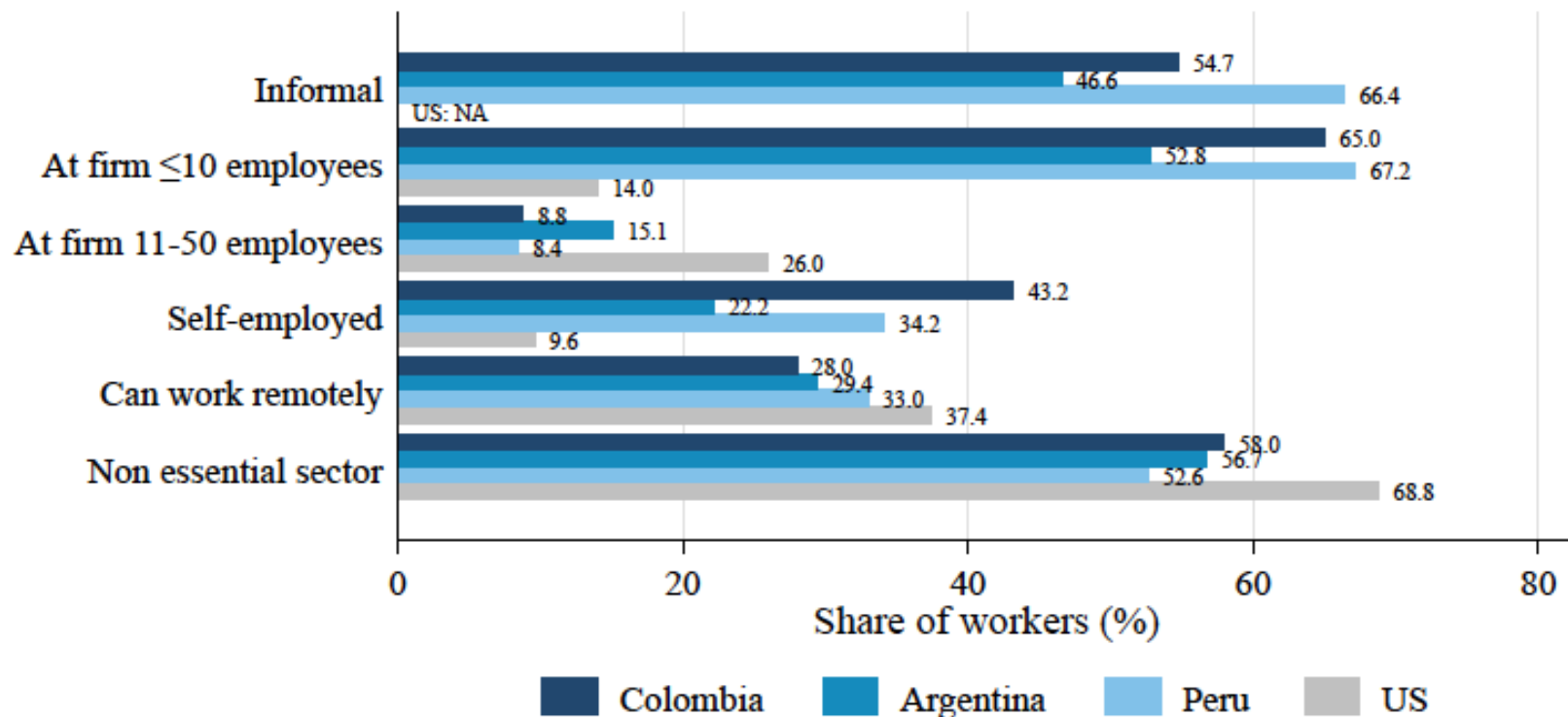
Figure 1. Fiscal deficits in Latin America and the Caribbean (2017)



Source: The World Bank and IMF's World Economic Outlook.

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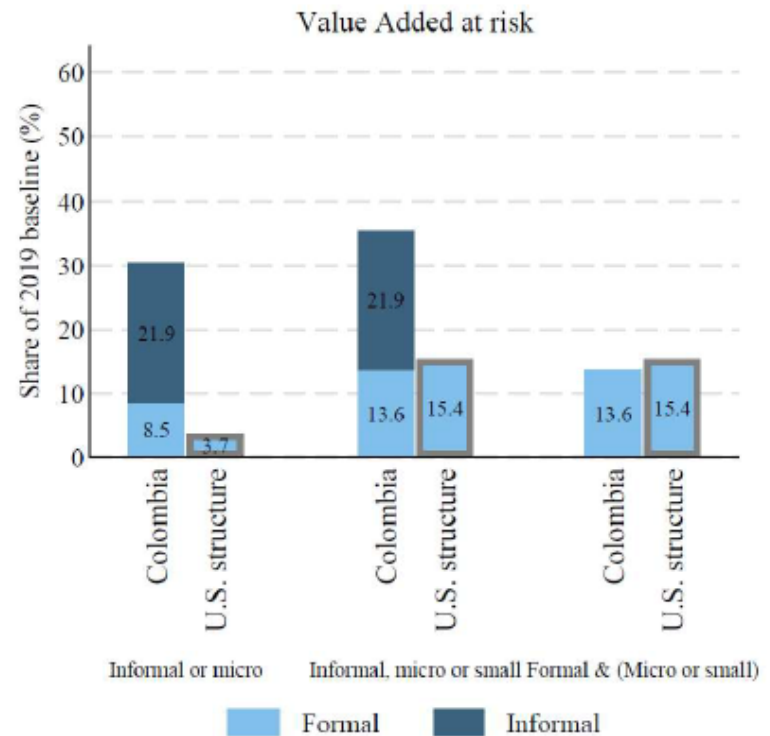
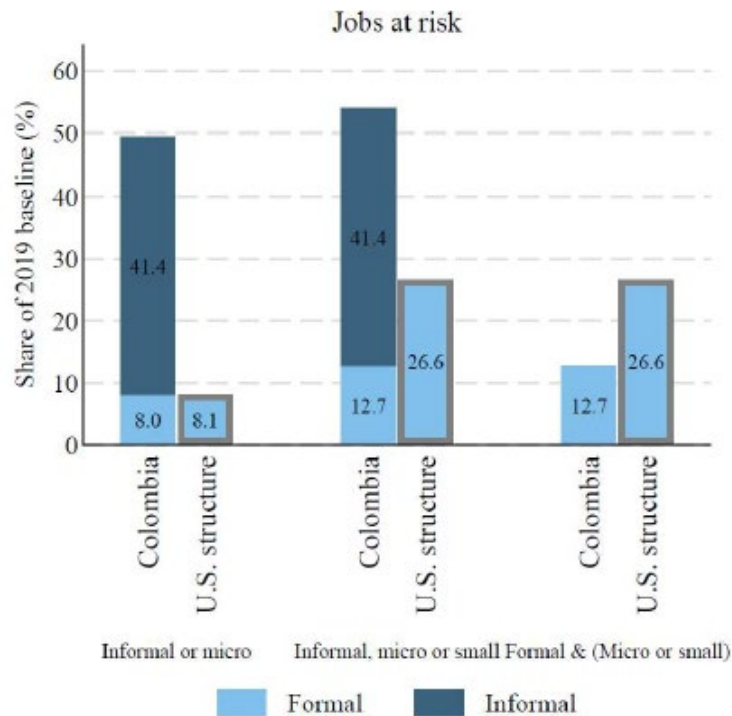
Weak Economic Structure: Informality and Tiny Firms



Note: Formality status is defined by the payment of mandatory pension contributions (Colombia, Argentina) and official indicators for informal employment (Peru). For the United States, self-employment encompasses those employed in their own business (incorporated and not incorporated), professional practice, and farming. Source: Authors' calculations, based on Household Surveys from Argentina, Colombia and Peru (EPH, 2019; GEIH, 2019; ENAHO, 2019), the US Census's Business Dynamics Statistics (BDS, 2014), and the American Community Survey (ACS, 2017).

Jobs and Income at Risk: Colombia

(Alfaro, Becerra, Eslava, 2020)

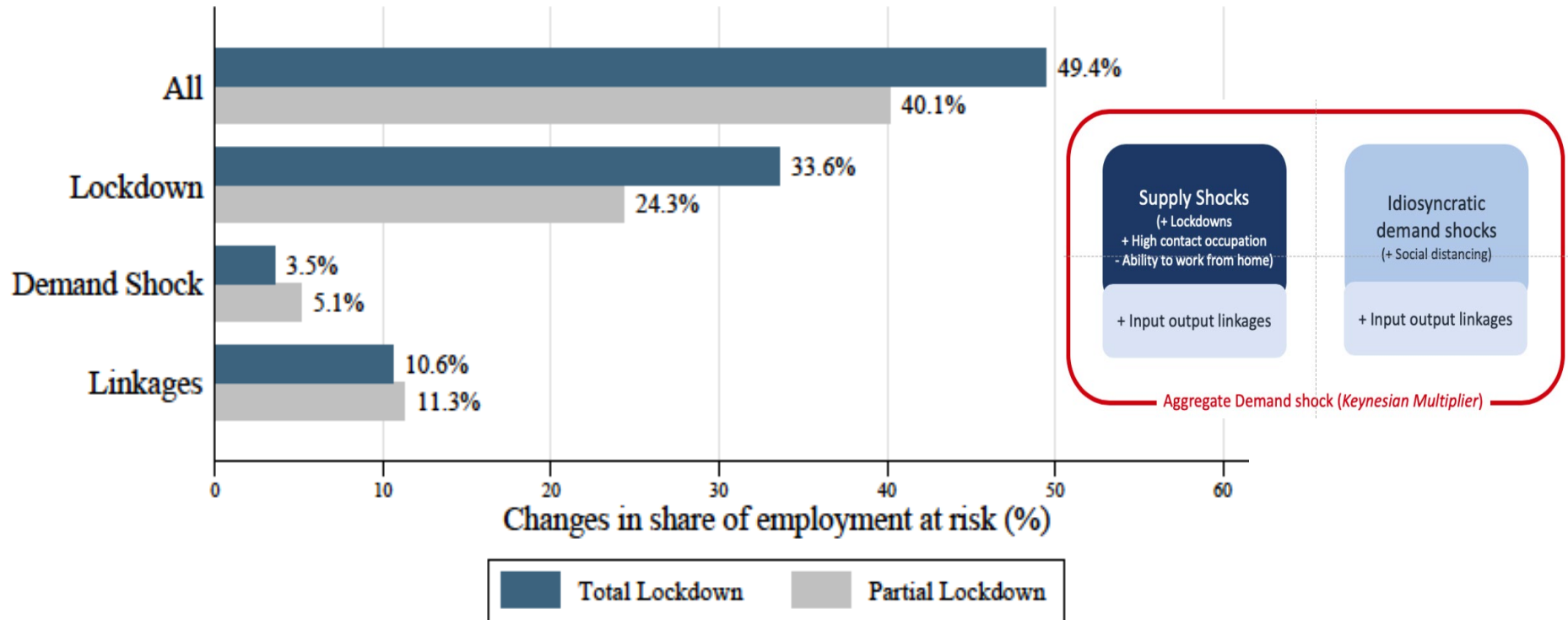


Blanket lockdowns and idiosyncratic demand losses:

50% of jobs and 30% of value added at risk under the Colombian structure, vs. 8% and 3.7% under the US structure.

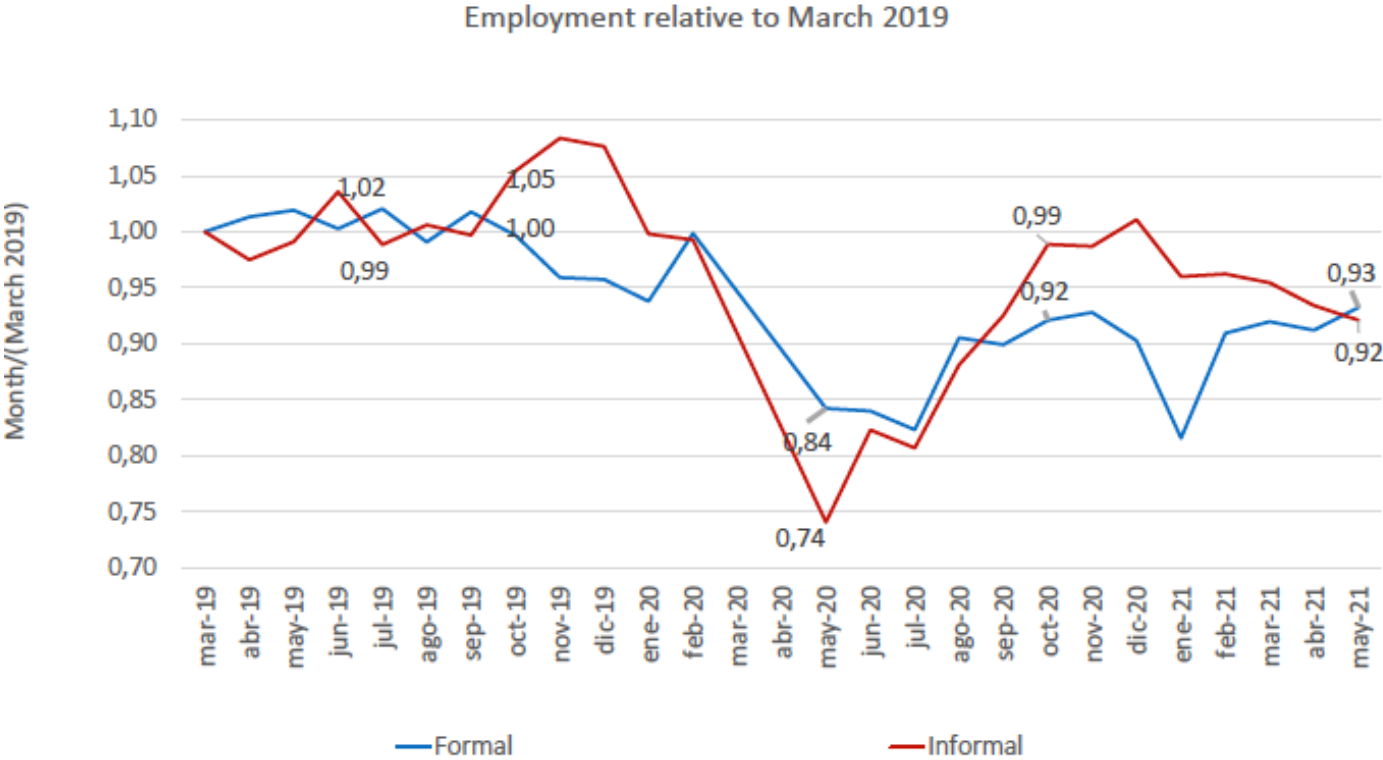
Role of Shocks

(Alfaro, Becerra, Eslava, 2020)



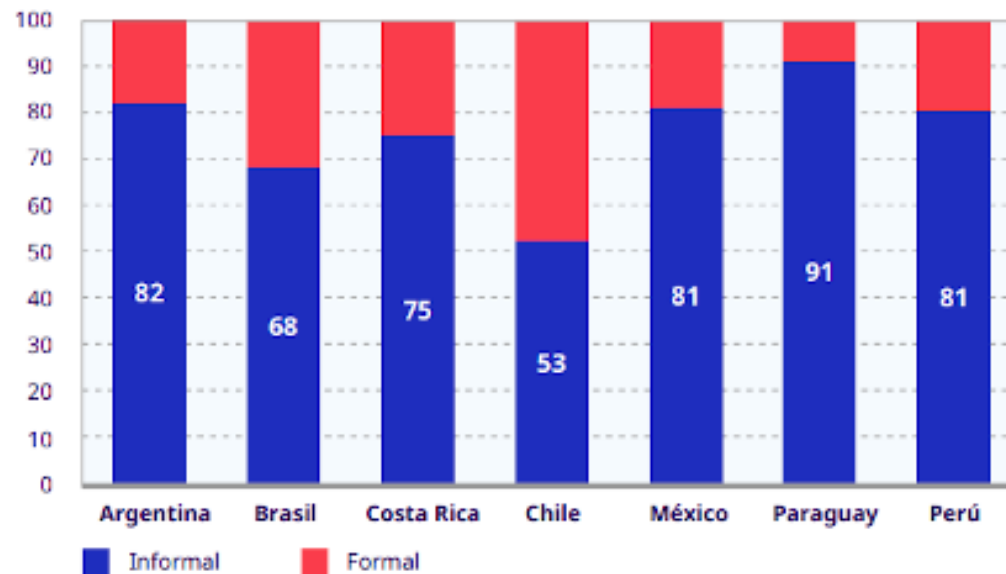
The difference is explained by informality and tiny businesses
2/3 of effect due to lockdown, 1/5 to IO linkages.
Minor role of demand effects.

Recovery in the Formal Sector has been Slower



Sustainability: Medium Term Informal Sector

► **Gráfico 17.** Contribución del empleo formal y del empleo informal a la recuperación del empleo total desde la segunda mitad de 2020 hasta el último dato disponible de 2021. Países seleccionados de América Latina



Fuente: Elaboración propia en base a encuestas a hogares y encuestas de empleo.

OIT

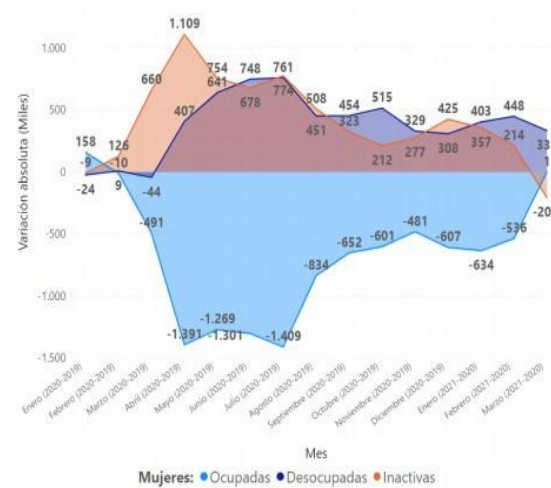
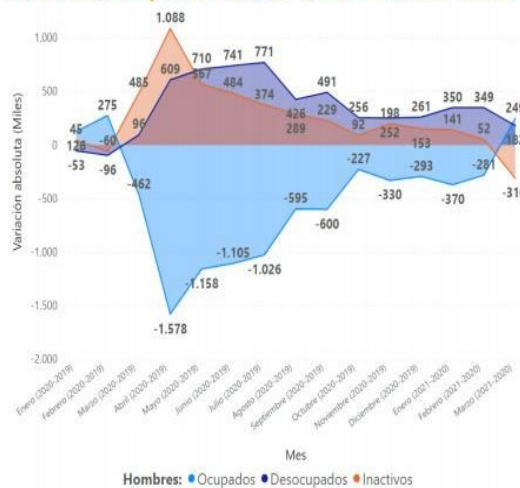
Recovery: Labor Force Participation and Gender



Fuente: Departamento Administrativo Nacional de Estadística (DANE).

Descargado del sistema del Banco de la Reserva: 14/11/2021 11:16:36

Variación de la población ocupada, desocupada e inactiva según sexo 13 ciudades y A.M. Enero 2020 – Marzo 2021

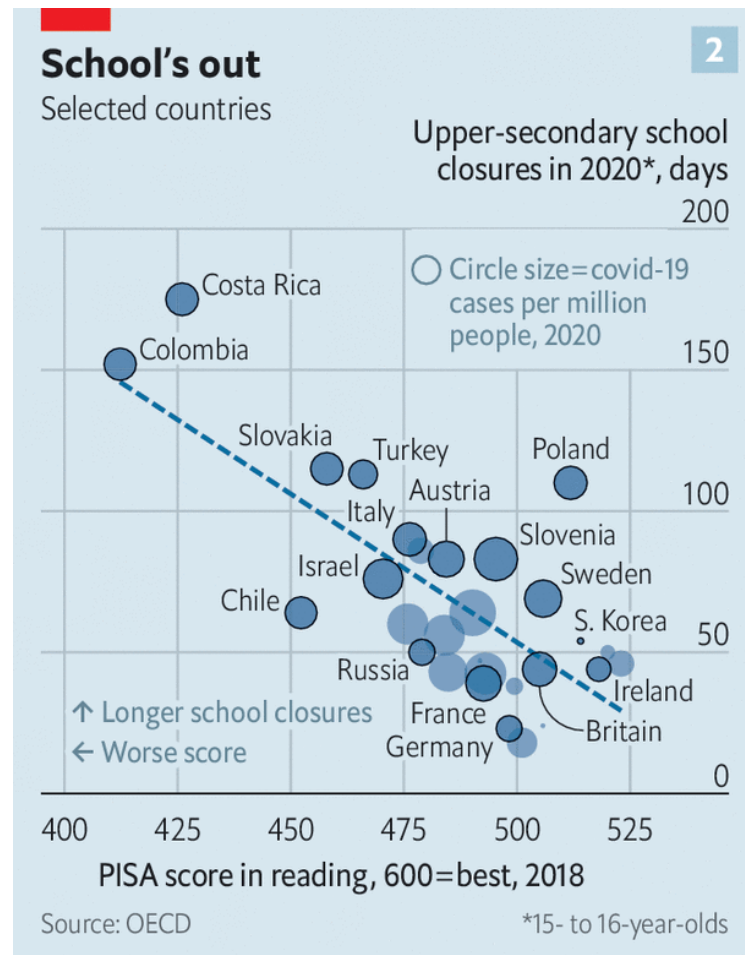


Sustainability: Medium Term

Education: Another Lost Decade

WB, Human Capital Index, 2018

	Years of School	Learning Adjusted Years of School
Argentina	13.1	8.9
Brazil	11.7	7.6
Chile	12.8	9.6
Colombia	12.5	8.5
Costa Rica	12.5	8.6
Dominican Rep.	11.3	6.3
Ecuador	13.2	8.9
El Salvador	11.3	6.5
Guatemala	9.7	6.3
Haiti	11.4	6.3
Honduras	10	6.4
Mexico	12.6	8.6
Nicaragua	11.6	7.3
Panama	11.3	7.2
Paraguay	11.5	7.1
Peru	12.7	8.3
Trinidad & Tobago	12.5	9.1
Uruguay	11.8	8.4
Korea	13.6	12.2
Singapore	13.9	12.9
United States	13.3	11.1



But in General: Low Productivity, Underperformance

Cuadro 1.1 PIB per cápita relativo a Estados Unidos y sus componentes por país (2004-2014)

	PIB per cápita	Participación laboral	Tasa de empleo	Horas por trabajador	Productividad por hora	Intensidad de uso del capital	Capital humano	PTF	Contribución de PTF a la brecha del PIB per cápita
Argentina	0,35	0,88	0,98	1,01	0,39	0,89	0,77	0,57	63%
Brasil	0,24	1,01	0,99	0,99	0,23	1,08	0,67	0,31	84%
Chile	0,34	0,89	0,99	1,19	0,34	0,94	0,80	0,45	80%
Colombia	0,20	0,96	0,96	1,03	0,19	0,98	0,64	0,31	80%
Costa Rica	0,23	0,90	1,00	1,32	0,19	0,86	0,69	0,31	79%
Ecuador	0,18	0,90	1,01	1,23	0,18	1,02	0,73	0,25	90%
México	0,29	0,84	1,03	1,21	0,28	0,94	0,70	0,43	73%
Perú	0,17	1,00	1,00	1,04	0,17	0,93	0,74	0,25	87%
Uruguay	0,29	0,98	0,98	0,92	0,32	1,09	0,70	0,41	80%
Venezuela	0,29	0,89	0,98	1,04	0,33	1,08	0,69	0,45	76%
Promedio	0,26	0,93	0,99	1,10	0,26	0,98	0,71	0,37	79%

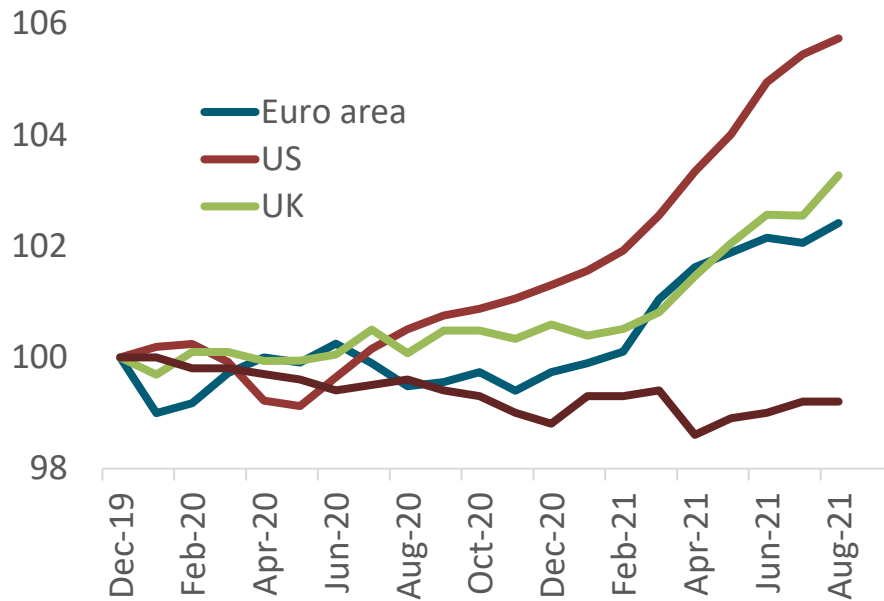
Nota: El cuadro reporta el PIB per cápita, en dólares constantes a paridad de poder adquisitivo, y sus componentes de acuerdo la descomposición presentada en la Figura 1.1. Las series están expresadas como proporción a Estados Unidos y corresponden a promedios de los años 2004-2014 para cada país. La última fila refiere al promedio simple de los países mostrados. La última columna se calcula como el cambio porcentual del PIB per cápita como resultado de cerrar la brecha de la PTF (PTF=1) relativo a la suma de los cambios porcentuales de cerrar cada una de las demás brechas individualmente.

Fuente: Cálculos propios a partir de datos de Penn World Table 9.0 (Feenstra, Inklaar y Timmer, 2015) y World Development Indicators (Banco Mundial, 2018).

A Spectre is Haunting — The Spectre of Inflation

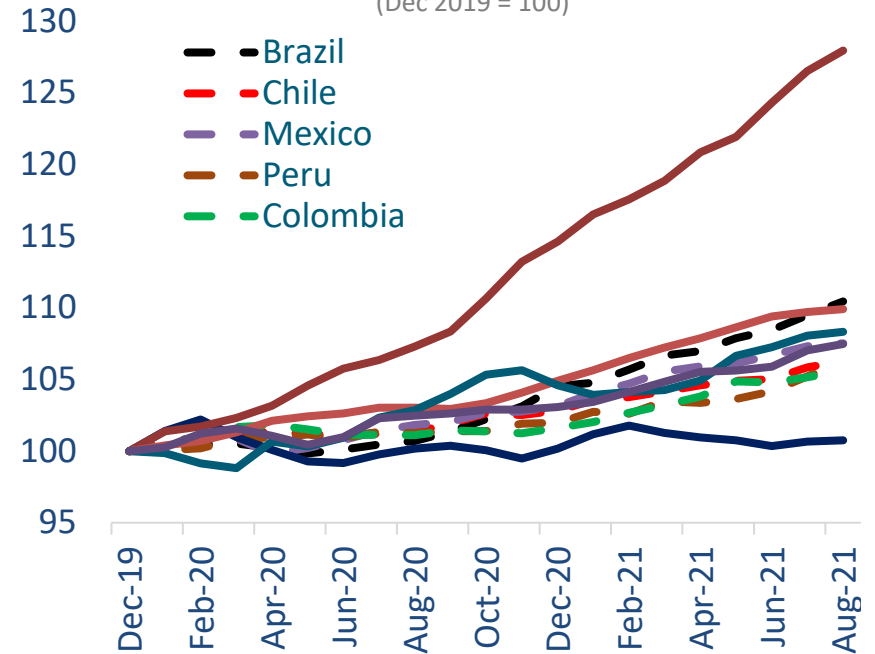
CPI - AEs

(Dec 2019 = 100)



CPI - EME

(Dec 2019 = 100)



Sources: Central Banks and Statistical institutes, Bloomberg.

Sustainability: Populism and Authoritarian Regimes

2021

- **Ecuador:** February 7, April 11 presidential runoff
- **El Salvador:** February 28
- **Chile:** *May 15–16—local elections and constitutional delegates, June 13 gubernatorial runoff; November 21—general election, December 19 presidential runoff
- **Peru:** April 11, June 6 presidential runoff
- **Mexico:** June 6
- **Argentina:** September 12 primaries, November 14 general election
- **Paraguay:** October 10
- **Nicaragua:** November 7 **Opposition in Jail**
- **Honduras:** November 28

2022

- **Costa Rica** general election 6 February and 3 April 2022
- **Colombian** presidential election 29 May 2022
- **Brazilian** general election 2 October 2022
- **United States** elections 8 November 2022

Economics: the Dismal Science
Fertile Ground for Research