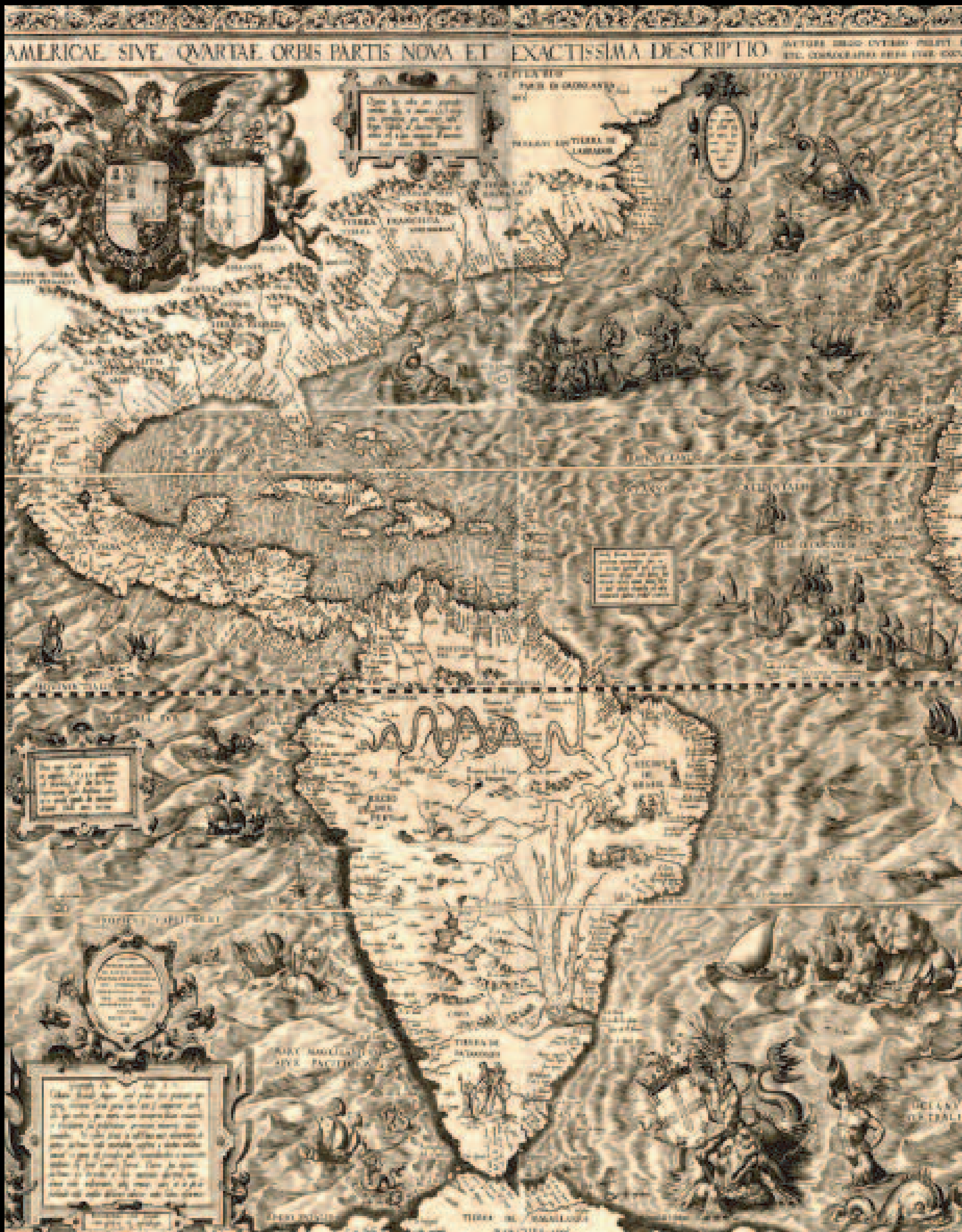
Center for Latin American Economics
2003 Annual Report



Federal Reserve Bank of Dallas

Research Department

About the Center for Latin American Economics

The Federal Reserve Bank of Dallas established the Center for Latin American Economics (CLAE) in 1992 to promote public understanding of economic policy issues pertinent to Latin America. The center serves as a clearinghouse for information about the region and pursues the exchange of ideas internationally. The CLAE hosts scholars and central bankers from Latin America, organizes conferences, and sends staff economists to present papers at academic and technical conferences. The staff writes and publishes work in a wide variety of outlets, including refereed journals, books, and publications of the Federal Reserve Bank of Dallas.

The center's *Research Abstracts* publishes the abstracts of as-yet-unpublished papers on Latin America by authors from around the world. Abstracted papers include work by central bankers, academics, and economists and other social scientists. *Research Abstracts* enables CLAE members to become familiar with the latest research on the region on a timelier basis than is possible by relying on academic journals.

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From the Executive Director

Free Market Reforms in Latin America: Let's Pause for a Second

Latin American living standards were supposed to be catching up with the developed world's by now. That, at least, was the promise behind the ambitious economic reforms many countries in the region introduced over the last two decades—more or less consistently with the so-called Washington consensus.[1]

The failure to fulfill that promise has triggered a wave of dissatisfaction with market reforms, beginning with Venezuela in 1999 and continuing with Argentina in 2001–02. Since then several countries in the region have elected governments—or are reportedly about to—that have vowed to undo the Washington-consensus "neoliberal policies" of the last 20 years. The neoliberal label often used in Latin America to deride free market reforms seems to mistakenly identify them with granting monopoly rights to vested interests, when the intention is precisely the opposite. Free markets are supposed to liberate societies not only from government monopolies but also from their private-sector counterparts.

Whatever its underlying motivations, the reaction against free market reforms cannot be easily dismissed as idiosyncratic to Latin America. India's voters have just rejected the BJP (Bharatiya Janata Party)—which had implemented ambitious market reforms—and restored to power the Congress Party, whose anti-liberalization electoral campaign slogans captivated the four-fifths of the populace still living in what some analysts call the "bullock cart economy."

The geographical breadth of a backlash that encompasses Argentina, Venezuela, India, and places in between suggests that something has gone wrong with market reforms. And that is where economists could step in with some analytics if they only paused for a second—a "second theorem," that is. Indeed, economists have produced two important theorems that suggest logical motives behind what perhaps are also ideologically driven criticisms of market reforms: the Theorem of the Second Best and the Second Welfare Theorem. The Theorem of the Second Best states that reforms must be comprehensive or an economy could wind up worse than before. Well-meaning policymakers have, for example, implemented free trade reforms without corresponding labor market reforms. If rigid labor legislation impedes the reallocation of workers from the inefficient industries swept away by free trade to those it bolsters, more jobs could be destroyed than created.

The Second Welfare Theorem says that free market reforms improve everyone's standard of living *provided the losers are compensated with lump-sum transfers from the winners*. The unpopularity of free market reforms in many countries suggests that even when society is better off overall, large fractions of the population have been hurt by or left out of the benefits.

There is no doubt that the backlash against market reforms and globalization results in part from serious misunderstandings exploited by the eternally discontented. But it may also be an indication that the important caveats of the second theorems have been neglected in the drive to implement those reforms.

Empirically speaking, much remains to be discovered about which liberalizations are crucial. Even in industrial nations it is not clear which labor regulations and rigidities are destructively binding and which are not really deal breakers for an economy. If policymakers have to pick their fights, they had better learn which ones to pick.

But making such judgments will not be easy in the current state of the economics profession, whose reform recommendations have come largely from models that assume the paradigmatic "representative household"—that all households and economic agents are the same. This analytical shortcut has proved valuable to much research, but is inadequate for identifying the potential losers and winners of alternative liberalization programs. That kind of identification requires a new generation of quantitatively implementable models that can account for differences among economic individuals—a technical problem several orders of magnitude beyond what we have solved so far.[2]

The increased power of computers now lets us address some of the computational difficulties posed by heterogeneous agent models, but we still must bring those models to the data. For example, identifying the winners and losers of a particular trade liberalization would require tracking displaced workers to determine whether they are absorbed into the dynamic sectors and under what conditions. This chore requires data at a level of detail that is not easy to come by even in countries with the best statistics.

Once these hurdles are jumped, the job of implementing the Second Welfare Theorem's transfers from winners to losers remains—and the revenues required must come from nondistortionary lump-sum or poll taxes. Unfortunately, poll taxes are politically problematic. (Recall the unrest triggered by UK Prime Minister Margaret Thatcher's attempt to implement a poll tax in the 1980s.) Only distortionary fiscal instruments are typically available, and basing transfers on them might well undo the benefits of the reforms. In any case, Latin American countries have nothing like the U.S. programs that pay for workers displaced by international competition to learn new skills.

The challenges ahead have been eloquently summarized by Manmohan Singh, recently designated prime minister of India by the victorious until-not-long-ago opposition Congress Party: "Nobody today is against reform. The question is, how do you package reform so it is not seen as merely an elitist exercise?"

The second theorems may hold the answer to that question—if the profession pauses long enough to think about what they mean for the success or failure of free market reforms. To understand what has gone wrong with previous market reforms and what can go wrong with future ones—and to design corrective and preemptive measures—it may take decades of protracted and frustrating effort at the very frontier of research.

Encouragingly, conference papers and journal articles are paying more attention to these issues—with their important consequences for the well-being of people across the globe.[3] We hope that the Center for Latin American Economics—with its focus on long-term policy-linked research and on promoting dialogue between scholars and policymakers—will prove to be a significant part of that effort.

Carlos E. J. M. Zarazaga
Executive Director
Center for Latin American Economics

Notes

[1] This expression was first coined by John Williamson in his account of a conference on the topic of market reforms organized by the Institute for International Economics in Washington, D.C., in 1990.

[2] Nobel Laureate Robert Lucas Jr. emphasized the importance of heterogeneous agents models for the study of business cycles as well in his 2004 Presidential address to the American Economic Association.

[3] Evidence of these recent efforts can be found in the 2002 IMF conference on Macroeconomic Policies and Poverty Reduction. For example, the paper "Evaluation of financial liberalization: a general equilibrium model with constrained occupation choice," by Xavier Giné and Robert M. Townsend, presented there explicitly identified winners and losers of the financial liberalization program implemented in Thailand in the period 1976–96. (This and related papers in that conference have been published in the August 2004 issue of the *Journal of Development Economics.*)

Research and Shorter Analysis

CLAE staff, visiting scholars, and their coauthors conducted research on topics related to financial crises and depressions, banking, trade, undocumented immigration, and economic measurement. The work included CLAE and Research Department working papers, articles submitted for publication in books and outside journals, and articles in the Dallas Fed's *Southwest Economy* publication.

Financial Crises and Depressions

The causes and consequences of financial crises have been important long-time themes of Center for Latin American Economics research. Crises' consequences for productivity are one of the center's lines of recent investigation. In "Financial Crises and Total Factor Productivity," Erwan Quintin and Felipe Meza note that measured total factor productivity falls markedly in emerging nations in financial crises. So far, the mechanics that lower productivity at such times have been a puzzle. A possible explanation is that the utilization of capital falls during financial crises. In this paradigm, capital utilization falls because interest rates (the opportunity cost of capital) move markedly above trend at the same time as TFP drops below trend. In a test of this hypothesis for Mexico's 1994–95 Tequila Crisis, capital utilization in fact turns out to have fallen noticeably in Mexico in 1995.

In models with homogenous capital, this reduction accounts for almost a third of Mexico's drop in measured TFP. However, the authors show that models that characterize all capital as the same predict counterfactually high energy consumption for Mexico. Applying a measure with heterogeneous capital predicts energy consumption more accurately, but cuts the quantitative importance of capital utilization in half. The reason, it turns out, is that unproductive capital is left idle, with more resources directed to more productive physical capital. Taking account of these, capital utilization seems to account for 15 percent of Mexico's Tequila Crisis measured TFP drop. Moreover, capital utilization accounts only for a negligible fraction of measured TFP movements in non-crisis quarters.

In "Argentina's Lost Decade and Subsequent Recovery: Hits and Misses of the Neoclassical Growth Model," Finn E. Kydland and Carlos E. J. M. Zarazaga examine Argentina's 1980s protracted crisis, depression, and the recovery that followed, from a growth theory perspective. They use the term *depression* advisedly. By the end of the "lost decade" of the 1980s Argentina's detrended GDP per capita had fallen 30 percent below ten years earlier. The authors undertake a growth accounting exercise to identify the sources of decline and later growth. A dramatic drop in total factor productivity during the 1980s was followed by a strong turnaround in the 1990–97 period. Output per capita not only grew in contrast to declines in the 1980s, but grew 2.5 times as fast as the 1951–79 average. The authors test to see if standard neoclassical growth theory can explain the 1980s "lost decade" and the recovery of the 1990s. The results suggest that neoclassical growth theory can track Argentina's economic depression of the 1980s fairly closely. The findings accordingly reject the hypothesis that economic depressions involve a breakdown in rational economic behavior or in the way economic agents form expectations about the future.

The two big misses of the neoclassical growth model are instructive. First, the experiment predicted that labor input should have declined by about 10 percent during the lost decade, while the data measured labor input as having increased by 3 percent. It has often been claimed that employment in provincial governments and state-owned enterprises in Argentina was a covert form of unemployment insurance. Information from some unofficial sources suggests that employment in the provincial and national government may have represented between 10 and 13 percent of the total number of workers during the period of analysis—but this figure ignores employment in the large number of state-owned enterprises of the period. The authors define as an upper bound the increase in Argentine unemployment between the end of 1990 and 1995—when public sector firms were privatized. If this number corresponded to the sum of workers who lost this "hidden unemployment," then the total number of public sector workers in the lost decade may have approached 20 to 25 percent of total employment. The addition of these redundant workers during the 1980s—only to be fired during the 1990s privatizations—may explain why employment rose rather than fell during the lost decade.

The model was able to mimic the actual output and capital accumulation swings of the 1980s, but it predicted much more growth for the 1990s than actually occurred. An explanation is government policies that directly or indirectly penalized the accumulation of capital. A related conjecture is based on the possibility of endogenous credit constraints—in which capital constraints are more binding during expansions than during downturns. Investor memories of the sovereign debt default of the 1980s might have discouraged investment during the 1990s. Certainly their reluctance to invest would have been validated in 2001 when Argentina implemented the largest confiscation of bank deposits in its history and then declared a massive default on its sovereign debt obligations.

Banking

Over the last decade in Latin America and elsewhere, anticipated or actual government responses to bank asset quality plunges have been increasingly viewed as triggering so-called "sudden stops" in capital flows. The results include large exchange rate depreciations and their consequences. Following a devaluation, the shift in relative prices of nontradables (which fall) and tradables often set off a second round of banking problems if banks lent on the basis of nontradable (such as real-estate) collateral.

These issues have inspired related research at the Center for Latin American Economics. In "Privatization, Competition and Supercompetition in the Mexican Commercial Banking System," William C. Gruben and Robert P. McComb test the widespread allegations that Mexico's financial liberalization and bank privatizations of the early 1990s resulted in marked reductions in bank competitiveness. They find that the banks did not become less competitive—in accordance with common belief —but instead commenced behavior consistent with an extreme market share struggle. Starting at about the middle of the privatization period and running at least a year after it ended, the average bank operated at a point where marginal cost exceeded marginal revenue. Such a money-losing arrangement could only take place in the short run.

Gruben and McComb's findings for the early 1990s are consistent with what followed—as significant declines in bank asset quality came to light. When U.S. interest rates increased by more than 300 basis points in 1994, the commercial banks' asset problems made Mexico's central bank reluctant to tighten correspondingly—out of concern that higher interest rates would make even more loans go bad. This inconsistency between U.S. and Mexican monetary policy under a pegged exchange rate regime with the dollar contributed to Mexico's sudden capital stop in November and December 1994 and a subsequent mega devaluation.

Further pursuing the complications associated with bank liberalizations and privatizations, William C. Gruben, Jahyeong Koo and Robert R. Moore, in their paper "Financial Liberalization, Market Discipline, and Bank Risk," test for connections between such events and bank risk in the presence of so-called "depositor discipline." If bankers anticipate that their risky lending will be punished by flights of depositors from their banks, it is possible that they will refrain from risky lending. Regardless of country, a bank crisis is not a common event. Special circumstances may be required to trigger the risky lending that can lead to it. One trigger may be the emergence of new markets over which bankers then wage market-share struggles. Bank liberalizations and privatizations can mean new market openings.

The authors present statistical associations between measures of depositor discipline and of bank risk that occurred during periods of liberalization and privatization in six economies. In some of these economies, explicit or implicit government guarantees to make depositors whole and to bail out banks seem to have been anticipated by bankers as removing depositor discipline. In these countries, bankers tended to take larger post-liberalization risks than in countries where depositor discipline existed.

Trade

The importance of trade between the Eleventh Federal Reserve District and Latin America is one of the factors that motivated the original formation of the Center for Latin American Economics. "The Openness-Inflation Puzzle Revisited," by William C. Gruben and Darryl McLeod, addresses an ongoing debate over the connection between international trade and inflation. Research applying data from the 1980s (Romer 1993) shows a strong negative link between trade openness and inflation. Some analysts offer models to suggest that trade openness facilitates currency competition, causing low-inflation good money either to drive out high-inflation bad money or to make the bad money reform. Others claim that trade openness lowers inflation by increasing competition.

Some empirically based work by a Brazilian economist, Cristina Terra (1998), posits that an inverse relationship between openness and inflation is peculiar to the 1980s and, even then, applies only to highly indebted countries relying heavily on the inflation tax. When asset holders set off a balance of payments crisis, the less open the economy, the greater must be the devaluation to produce the trade surplus that is suddenly required. Protected economies don't trade much or efficiently. What happens to the local currency value of the debt service in a devaluation affects the government's budget deficit. In the absence of fiscal reform, the increased deficit enforces a rise in the amount of inflation tax the government needs to collect. Because the devaluation is larger in closed economies, those are the ones with the larger increase in the value of the debt in local currency terms and, consequently, greater inflation.

Arguing that currency competition is what explains the negative relation, and not the paradigm that Terra presents, Gruben and McLeod test this relation during the 1990s for a large sample of countries, including most Latin American nations. They find that the inverse relation between trade openness and inflation became stronger in the 1990s—when debt crisis was far less widespread than in the prior decade. They also find that during the 1990s this negative relationship was more pronounced in less indebted countries than in the more indebted countries to which Terra's paradigm had confined the phenomenon. The results point not only toward a general inverse relation between inflation and openness, but suggest that the continuing process of globalization will enforce lower inflation on most countries—even those that pursued higher inflation in the 1980s. This work is consistent with their previous work on capital account openness and inflation.

In "The Giant in Mexico's Rearview Mirror," Erwan Quintin analyzes the widespread concerns over Mexico's ability to compete internationally with China—especially in the wake of Mexico's U.S.-linked slowdown since late 2000. Quintin shows that despite complaints about Mexico's labor competitiveness, Mexican labor costs have not risen any faster than labor productivity and that Mexico has shown a strong commitment to both monetary and fiscal policy discipline. Indeed, he notes, Chinese exports to the United States have not fared much better than Mexico's in most sectors. Still, he observes, the high cost of electricity and the fiscal uncertainty that plagues the export sector have impeded Mexico's expansion. Ultimately, Mexico will require structural or competitive reforms in various sectors in order to return to its trajectory of the late 1990s.

William C. Gruben and Sherry L. Kiser, in "Chilean Accord Extends U.S. Free Trade Universe by One," address another issue—U.S. protectionists' recalcitrance even over trade agreements with smaller Latin American countries. Even though Chile's small population of 15 million and its status as the world's 43rd largest economy would seem to make it a poor candidate for much U.S. protectionist attention, concluding the Chilean–U.S. free trade agreement signed in 2003 not only involved more protracted effort than NAFTA, but it temporarily allows continuing protectionism in several areas. The authors note that, as is common with the United States, the largest elements of remaining protectionism are in agriculture. While many products entered duty-free with the formalization of the accord, Chilean dairy-related exports remain under a quota, and the agreement also permits tariffs on some Chilean fruits to persist for 12 years after the agreement takes effect. Free trade in wine will not take place until 2014. Meanwhile, Chilean protectionist interests in wheat and beets were jubilant about their continued protection against cheaper U.S. products.

Immigration

Determinants and results of immigration from Mexico in particular and from Latin America in general are ongoing research topics at the Center for Latin American Economics. In "The Impact of Illegal Immigration and Enforcement on Border Crime Rates," Roberto Coronado and Pia M. Orrenius investigate the connection between crime rates on the U.S.–Mexico border, illegal immigration, and immigration enforcement since the early 1990s. Over this period, property-related crime declined along the border, but violent crime rates began to rise to the national average. Is there a causal relation, or does some third factor influence the crime statistics? The authors perform econometric tests to find that the volume of illegal immigration is in fact not related to changes in property-related crime—after controlling for other determining factors including economic fluctuations and changes in the level of law enforcement. Similar tests do identify a significant positive correlation between measures of illegal immigration and violent crime, despite increased immigration law enforcement. Over the 1990s, the overall crime rate on the border fell, but the share of violent crimes among overall crimes increased significantly. While immigration law enforcement shows a deterrent effect upon crime in the 1990s, this effect eroded over the decade. Since mid-1999 the marginal impact on crime of an increase in immigration linewatch hours has been zero. The authors conjecture that the correlation between illegal immigration and violent crimes is in fact associated with a third variable, extensive smuggling activity—in particular, violent behavior by drug smugglers whose operations seem to be expanding and whose border-crossing behavior is certainly illegal.

In "Does Immigration Affect Wages? A Look at Occupation-Level Evidence," Pia M. Orrenius and Madeline Zavodny find that an increase in the fraction of workers in a blue-collar occupation group who are foreign born tends to lower the wages of natives in that occupation. However, an increase in the fraction of foreign-born workers in high-skill occupations does not lower the wages of native workers in the same occupations. Additional examinations of the blue collar data indicate that it is immigrants who are adjusting their immigration status within the United States, but not newly arriving immigrants, who negatively affect the wages of low-skilled natives. This finding suggests that immigrants become substitutes for natives only after having spent much time in the United States.

Mark G. Guzman, Joseph H. Haslag and Pia M. Orrenius' "A Role for Government Policy and Sunspots in Explaining Endogenous Fluctuations in Illegal Immigration" mathematically formalizes explanations for why illegal immigration can vary substantially even if there is a constant gap between U.S. and Mexican wages. In this model, volatility in migration flows derives from two sources: a tension between government income transfers that induce migration and law enforcement that discourages it and, separately, the existence of a conditioning uncertainty or sunspot effect. That is, the authors examine the impact of (sunspot) uncertainty in government tax/income transfer policies upon migration as they interact with the effects of smugglers and the border patrol to determine the level of immigration.

Economic Measurement

Measuring economic phenomena is a topic of much concern for analysts at the Center for Latin American Economics because data for Latin American countries are less easily available than for industrial nations. In "Choosing Among Rival Poverty Rates: Some Tests for Latin America," William C. Gruben and Darryl McLeod note that, as of their writing, there is no widely accepted procedure for estimating national poverty rates. They propose an ex post procedure for selecting poverty rates that have desirable properties. They argue that absolute poverty measures, estimated uniformly across countries, ought to be correlated with nonmonetary indicators that reflect the consequences of physical deprivation. These indicators include birth rates, school attendance, measures of malnutrition, and other factors. The authors perform a series of non-nested hypotheses tests to choose among competing poverty and income measures. They screen 66 poverty measures computed for 17 Latin American countries. The tests identify 10 to 15 poverty indicators that meet the standards the authors set forth for usefulness. The authors note that one theme that turns out to be common to the most successful poverty indicators is that scaling to national accounts and to standards of international comparison are important. One commonly used scaling methodology—developed by the U.N. Economic Commission for Latin America—turns out to allow more transparent comparisons than any other.

In "(Mis)reporting Mexico's Gross Domestic Product," Franklin Berger addresses problems in seasonally adjusting Mexican (and by extension other) gross domestic product data. Seasonally adjusting any category of data where seasonal factors (such as Easter) are important but do not always occur in the same month or quarter cannot be conveniently performed by the standard approaches applied, say, to Christmas or January. Berger notes that when the U.S. media report economic events in Mexico, they often report GDP and that in some cases reports about Mexican economic fluctuations have been far more negative than would be suggested by the data if properly understood. In many Latin American countries, economic activity declines during the week or so prior to Easter because the entire week, "La Semana Santa," is celebrated. Based on his own constructions of seasonal adjustments for Mexico and other Latin American countries, Berger identifies increasing statistical sophistication among seasonal adjustment statisticians at Mexico's central bank (Banco de México) and census bureau (Instituto Nacional de Estadística, Geografía e Informática). Even though their work has resulted in advances in accurate seasonal adjustment, reports in U.S. national business publications have missed these adjustments and refer to year-over-year data that are often misleading as descriptions of current economic events. Berger notes that, in the case of holidays like Easter, even year-over-year data comparisons can be factually wrong without proper seasonal adjustment.

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Romer, David H. (1993), "Openness and Inflation: Theory and Evidence," *Quarterly Journal of Economics* 108, 869–903.

Terra, Cristina (1998), "Openness and Inflation: A New Assessment," *Quarterly Journal of Economics* 113, 641–48.

Other Activities

CLAE staff members participated in a wide range of professional activities last year. CLAE staff members organized meetings at the Federal Reserve Bank of Dallas with Dallas Fed President Robert D. McTeer, Jr., and Banco de México Governor Guillermo Ortiz. At these meetings Manuel Ramos Francia, Banco de México's director general for economic research, and David Margolin, director general for central bank operations, made presentations on the Mexican economy and monetary policy while Dallas Fed Research Department Vice Presidents John Duca and Evan Koenig made presentations on the U.S. economy and monetary policy. CLAE staff members also organized presentations by Mexico Finance Minister Francisco Gil Diaz and by Banco Central do Brasil President Henrique de Campos Meirelles at Dallas Fed-sponsored conferences.

In other CLAE professional activities, William C. Gruben presented "Financial Liberalization, Market Discipline and Bank Risk" at a meeting at the Centro de Investigación y Docencia Económica in Mexico City. The same paper, which was coauthored by Jahyeong Koo and Robert Moore, was presented by Moore at the meeting of the Latin American Finance Network in Buenos Aires.

Carlos E. J. M. Zarazaga presented "Latin America: A Look at the Past to Conjecture About the Future" to the U.S. Agency for International Development Economic Policy Seminar in Caracas. Zarazaga also served on the dissertation committee of Victor Pacharoni at Georgetown University in Washington, D.C.

Roberto Coronado and Pia M. Orrenius presented "The Impact of Illegal Immigration and Enforcement on Border Crime Rates" at the annual meeting of the Association of Borderlands Studies in Las Vegas. Pia M. Orrenius presented "The Role of U.S. Border Enforcement in the Crossing Behavior of Mexican Migrants" at the annual meeting of the Latin American Studies Association, which took place in Dallas. "Does Immigration Affect Wages? A Look at Occupation-Level Evidence," by Pia M. Orrenius and Madeline Zavodny, was presented at meetings of the Population Association of America in Minneapolis, European Society for Population Economics in New York, National Bureau of Economic Research Summer Institute in Boston, Society of Labor Economists in Toronto, and Center for Mexican–American Studies at the University of Texas at Arlington.

Erwan Quintin presented "Financial Crises and Total Factor Productivity" at the European Central Bank in Frankfurt, as well as at the University of Texas at Austin and at Rice University in Houston. He presented "The Implications of Capital-Skill Complementarities in Economies with Large Informal Sectors" at the annual Latin American Meetings of the Econometric Society in Panama City.

Publications, Papers, and Submissions

Berger, Franklin (2003), "(Mis)reporting Mexico's Gross Domestic Product," *Southwest Economy*, Federal Reserve Bank of Dallas, Issue 5, September/October.

Coronado, Roberto and Pia M. Orrenius (2003), "The Impact of Illegal Immigration and Enforcement on Border Crime Rates," Federal Reserve Bank of Dallas Research Department Working Paper 0303.

Gruben, William C. and Sherry L. Kiser (2003), "Chilean Accord Extends U.S. Free Trade Universe by One," *Southwest Economy*, Federal Reserve Bank of Dallas, Issue 1, January/February.

Gruben, William C. and Darryl McLeod (2003), "The Openness-Inflation Puzzle Revisited," Federal Reserve Bank of Dallas Center for Latin American Economics Working Paper 0203.

Gruben, William C. and Darryl McLeod (2003), "Choosing Among Rival Poverty Rates: Some Tests for Latin America," Federal Reserve Bank of Dallas Center for Latin American Economics Working Paper 0103.

Gruben, William C., Jahyeong Koo and Robert R. Moore (2003), "Financial Liberalization, Market Discipline and Bank Risk," Federal Reserve Bank of Dallas Center for Latin American Economics Working Paper 0303.

Gruben, William C. and Robert P. McComb (2003), "Privatization, Competition and Supercompetition in the Mexican Commercial Banking System," *Journal of Banking and Finance*, February, Vol. 27, Issue 2, 229–49.

Guzman, Mark G., Pia M. Orrenius, and Joseph H. Haslag (2003), "A Role for Government Policy and Sunspots in Explaining Endogenous Fluctuations in Illegal Immigration," Federal Reserve Bank of Dallas Research Department Working Paper 0305.

Kydland, Finn E. and Carlos E.J.M. Zarazaga (2003), "Argentina's Lost Decade and Subsequent Recovery: Hits and Misses of the Neoclassical Growth Model," Federal Reserve Bank of Dallas Center for Latin American Economics Working Paper 0403.

Orrenius, Pia M. and Roberto Coronado (2003), "Falling Crime and Rising Border Enforcement: Is There a Connection?" *Southwest Economy*, Federal Reserve Bank of Dallas, Issue 3, May/June.

Orrenius, Pia M. and Madeline Zavodny (2003), "Does Immigration Affect Wages? A Look at Occupation-Level Evidence," Federal Reserve Bank of Dallas Research Department Working Paper 0302.

Quintin, Erwan and Felipe Meza (2003), "Financial Crises and Total Factor Productivity," Federal Reserve Bank of Dallas Research Department and Universidad Carlos III de Madrid, Spain, unpublished manuscript.

Quintin, Erwan (2003), "The Giant in Mexico's Rearview Mirror," *Southwest Economy*, Federal Reserve Bank of Dallas, Issue 2, March/April.

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The Federal Reserve Bank of Dallas has established the Center for Latin American Economics in its Research Department to facilitate communication among researchers, academicians, and policymakers concerned with the economies of Latin America. We invite people with this interest to become members of the center. There are no membership fees.

Upon affiliation with the center, you will periodically receive center publications free of charge, as well as information on conferences and other events associated with or supported by the center.

The center is here to serve you and all those who are interested in Latin American economic research. Please pass the word about the center to your colleagues and invite them to write to us. We look forward to hearing from you.

Sincerely,	Sincerely,
William C. Gruben	Carlos E. Zarazaga
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El Banco de la Reserva Federal de Dallas ha establecido el Centro para Estudios Económicos Latinoamericanos con el propósito de crear una red de comunicación y discusión sobre temas económicos entre investigadores y estudiosos de las economías de América Latina así como entre éstos y aquellos con responsabilidades en decisiones de política económica en los países del área. Invitamos a todos ellos a hacerse socio del centro. No hay ninguna cuota de afiliación o suscripción.

Con su afiliación al centro los socios adquieren el derecho a recibir periódicamente, sin costo, las publicaciones del centro, así como informes sobre conferencias y otros eventos organizados o apoyados por el centro.

Reiteramos que el objetivo del centro es proveer un canal de comunicación ágil y eficaz entre todos aquellos con interés en el estudio de temas económicos que puedan ser de especial relevancia para América Latina. Por favor no dude en hacernos llegar sus sugerencias al respecto. Esperamos tener pronto noticias suyas.

Sincerely,

William C. Gruben
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