accountability of Central Banks
  Brazil 127
  Colombia 184–5, 187
accountability, rules and incentives 13
Argentina 10, 51, 95–116
Central Bank 108–9, 111
convertibility rule 95, 97–8
fiscal deficits 104
fiscal re-election costs 96, 105–7
growth 95–6
macroeconomic performance
  100–102
macroeconomic policy 95–6
macroeconomic volatility 99–100
political economy and 2001–2002 crisis 110–16
post-crisis policy framework 108–9
poverty and inequality 102
Austral Plan, Argentina 99
bad equilibria 37
banking sector
  regulation, Chile 146
see also Central Banks
Botero Commission, Colombia 180
Brazil 51, 120–35
  2001 crisis 127–9
Central Bank 131–2
growth 121–3
inequality 129–31
inflation targeting 37, 125–6
macroeconomic performance
  121–3
macroeconomic policy 120–21, 124–7, 131–5
policy reform 126–7
poverty 130–31
social expenditure 134
budget inflexibility, Colombia 157
budget reforms, Chile 139–40
Central Banks
  Argentina 108–9, 111
  Brazil 125, 127, 128–9, 131–2
  Chile 146
  Colombia 160, 177–8, 186–7
  Costa Rica 204
independence 32–3, 80–81
Peru 214–15
political accountability
  Brazil 127
  Colombia 184–5, 187
Chile 51, 136–54
budget reforms 139
Central Bank 146
fiscal rule 146–7
institutional characteristics 145–8, 153
institutions and economic success 140–41
macroeconomic implications of
distributional gains 142–5
macroeconomic performance 141–2
political demand for macroeconomic stability 86, 147
political economy of equity 138–9
political economy of
  macroeconomic stability 145
political regime and economic success 137–8
reasons for success 136–41
trade reforms 139–40
Coasean solution 14, 15, 23, 48, 220
collective action problems, institution supply 67–8
Colombia 51, 156–89
Central Bank 160, 184–5, 186–7
cost and crisis 177
constitutional rules and economic policy 156–61, 182
disinflation 161–2
growth 162–3
income distribution 165–8
macroeconomic performance 162–4
policy framework reform 175–7
policy recommendations 185–9
policy response to crisis 173–5
political economy of equity 165–8
sustainability of growth 179
Commission on Public Expenditures, Colombia 180
conditionality 57
CONFIS (Council for Fiscal Policy, Colombia) 188
Congress, role in macroeconomic institutions, Chile 147
Constitutional Courts
Colombia 182
Costa Rica 198
Constitutional rules and economic policies 55
Colombia 156–61, 182
constrained discretion 84
contractarian approach to reform 55
convertibility rule, Argentina 95, 97–8, 112
coordination mechanisms, Chile 148
Costa Rica 51, 197–207
2001 stress test 204
equity and political economy 205
GDP growth 197
growth 202
health system reform 201
inflation reduction 202
macroeconomic developments 200–202
macroeconomic framework 204
political economy effectiveness 197–200
poverty 199, 200
countercyclical fiscal rules, Chile 146–7
crises
Argentina 102–4, 107–8, 110–13
Brazil 127–9
Chile 148–52
Colombia 168–73
Costa Rica 204
Peru 216
currency crisis prevention 49–50
decentralization, Peru 215
Decentralized Fiscal and Budget Authority, Colombia 188
demand approach to institutional change 66–7
to policy reform 54–6
devaluation, Brazil 124
dictatorship and economic success, Chile 137–8
disinflation 5, 84–5
Colombia 161–2
distribution
Colombia 165–6, 167–8
and institutional origins 65–6
and macroeconomic stability, Chile 142–3
and macroeconomic volatility 14–15
see also equity; income distribution; inequality
distributive justice 14
dollarization 82
Costa Rica 200
Peru 216–17
dysfunctional equilibria 37
economic crises, see crises
El Ladrillo program, Chile 140
equity 14
Argentina 102
political economy of
Colombia 165–6
Costa Rica 205
Peru 212–14
public perceptions of, Colombia 167–8, 183
evolutionary theory of institutional development 68
exchange rate policies
Chile 150, 152
Colombia 176
convertibility rule, Argentina 95, 97–8, 112
external debt, Brazil 122
external shocks and macroeconomic volatility 38–9, 82–3
fairness, public perception of
  Colombia 167–8, 183–4
  Costa Rica 205
financial crisis, Brazil 123–4
financial depth 81–2
first institutional insight 40
Fiscal and Budget Authority 48
fiscal deficits 39–40, 81
  and convertibility arrangement 104
fiscal dominance 31–2
fiscal insights 40–42
fiscal institutions and macroeconomic
  volatility 27–8
fiscal performance, Colombia 164
fiscal re-election incentives 42–4, 96,
  105–7, 110
Fiscal Responsibility, Law on, Peru
  215, 216
fiscal rules
  and central bank independence 81
  Chile 146–7
fiscal trends 53–4
flexibility versus credibility dilemma
  151
GDP growth
  Brazil 122
  Chile 141
  Colombia 162–3
  Costa Rica 197
  Latin America 72–3
  Peru 210
globalization and inflation 84
growth
  Argentina 95–6, 100
  Brazil 121–3
  Chile 141
  Colombia 162–3, 179
  Costa Rica 197, 200, 202
  and inequality, Brazil 129–31
  Latin America 4, 72–7
  Peru 210
health system reform, Costa Rica 201
historical geography 66
history, learning from 15–16, 44–5
identification problems, institutions
  69–70
IMF, see International Monetary Fund
incentives 13
  and institutions 65–9
  Chile 140–41
income distribution
  Chile 138–9
  Colombia 165–8
  Costa Rica 199
  Peru 212, 214
income induced welfare 16
inequality 5, 129
inequality and growth 9–10, 87, 129
  Brazil 129–31
  Colombia 165–8, 183–4
  macroeconomic implications 79–80
  regressive policies 37–8
inflation
  Argentina 95
  Brazil 122
  Colombia 161–2, 163, 181, 186
  Costa Rica 201, 202
  Peru 210
inflation targeting 29–31, 83–5
  Brazil 123–4, 125–6, 126–7
  Chile 150–51
  Colombia 176–7, 186
  Costa Rica 202
informal dollarization 82
information
  and demand for reform 45, 47,
    48–9
  and political accountability,
    Colombia 188
institutional characteristics
  Chile 145–8, 153
  Colombia 176, 182, 186
  and macroeconomic performance
    8–9
institutional effectiveness,
  measurement 69–70
institutional framework
  Costa Rica 204
  Peru 214–15
institutional insights 40–41
institutions hypothesis 3
institutions and incentives 63–6, 68–9
  Chile 140–41
interest rate targeting, Chile 149–51
interest rates and economic crisis
  Chile 149–51
  Colombia 173–4, 178
International Monetary Fund 35–6
role in Argentina crisis 103

Law on Fiscal Responsibility, Peru
215, 216
Lula administration, Brazil 120

macro-constitutional rules-based
framework 55
macroeconomic institutions, see entries
under institutional and
institutions
macroeconomic performance
Argentina 100–102
Brazil 121–3
Chile 141–2
Colombia 162–4
Costa Rica 200–202
Latin America 72–9
Peru 210–12

macroeconomic principles 70–72
macroeconomic stability and property
rights 13–14

macroeconomic volatility 5–6
Argentina 99–100
as distributional issue 14–15
Peru 209–10
reasons for 47, 85–6

Malan Committee Report 36
market-creating institutions 64–6
Menem administration, Argentina
99–100
Menem Syndrome 105–7
micro-institutional incentive
framework 55
Colombia 185
Monetary Policy Committee
(COPOM), Brazil 127
monetary policy effectiveness,
Colombia 161–2
Monetary Policy Rate targeting, Chile
149–50
Mortgage Interest Rate metric, Chile
142
multilateral institutions 35–6

National Council of Decentralization,
Peru 215
neoclassical economics and institutions
68–9

Open Letter Option for Central Banks
Brazil 33, 127, 132, 134
Colombia 187
open trade policy, Chile 139–40
opportunistic approach to reform 55

Pastrana administration, Colombia
175

per capita growth
Argentina 100
Brazil 121
Colombia 162
Latin America 72–4

per capita income
Argentina 100
Latin America 73
Peru 51, 208–18

1998–1999 stress test 216
Central Bank 214–15
dollarization 216–17

macroeconomic institutional
framework 214–15
macroeconomic performance 210–12
macroeconomic volatility 209–10
political economy of equity 212–14
political volatility 209–10, 211

Plan Primavera, Argentina 99

policy reform
demand approach 54–6
and transaction costs 46–50

policy response to crisis
Argentina 108–9
Brazil 124–7
Chile 149–52
Colombia 173–7

political accountability of Central
Bank
Brazil 127, 132, 134
Colombia 184–5, 187
political accountability for
macroeconomic performance
Brazil 127
Colombia 188

political demand
for convertibility rule, Argentina
97–8
and macroeconomic stability 47–50,
79–80

political economy of crisis, Argentina
110–13
political economy of equity
Chile 138–9
Colombia 165–6
Costa Rica 205
Peru 212–14
political economy of macroeconomic policy making 63–88
political economy of macroeconomic stability, Chile 145
political incentives for macroeconomic stability 46–50
Argentina 111
political volatility, Peru 209–10
poverty
Argentina 96, 102
Brazil 130–31
Chile 138–9, 142, 144–5
Colombia 165–6
Costa Rica 199
Latin America 5, 53, 76–9
macroeconomic implications 79–80
Peru 212, 214
and social spending 42
principal–agent framework and macroeconomic policy 15–16
procyclicality of fiscal policy 86
pro-growth policies, Colombia 165–6
property rights 64
and macroeconomic stability 13–14
prospect theory and macroeconomic crisis 34
public expenditure
and fiscal deficits 39–42
and re-election syndrome 43, 105–7
reform, Colombia 185
Public Expenditures, Commission on, Colombia 180
public perception of fairness
Colombia 167–8, 183–4
Costa Rica 205
recessions, Chile 141
redistributive policies and inequality 37–8, 53
re-election and fiscal incentives 42–4, 105–7, 110
Argentina 96
reform strategies
political demand for 45, 47, 48, 49, 50
role of elites 52, 61, 64
transactions costs approach 46
regressive expenditures 37–8, 133–4
regressive social expenditures 9, 10
regulatory agencies, banking sector, Chile 146
rules and incentives 13
and crisis management 34
second institutional insight 40–41
social expenditure
Brazil 134
and poverty 42, 53
stabilization program, Peru 212
stress tests
Chile 148–52
Costa Rica 204
Peru 216
see also crises
structural balance 148
structural fiscal surplus rule, Chile 146–7
sudden stops 82–3
policy response, Chile 149–51
supply of institutions and collective action problems 67–8
tax and spend policy 41
Taylor principles 71
Theory of Justice, A (Rawls) 23–4
trade reforms, Chile 139–40
transaction costs
and demand for institutions 66–7
and policy reform 46–50
unemployment, Colombia 163–4
voluntary private sector involvement, crisis resolution 125
welfare, sources of 16