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# The Road to Redemption: Policy Response to Crises in Latin America

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- How has fiscal/monetary response to crises in LA evolved over the last 40 years?

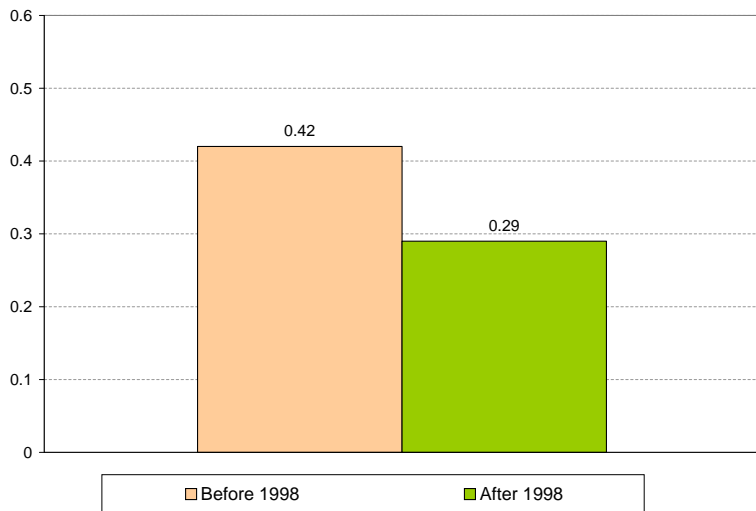
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- How has, in turn, the policy response affected duration and intensity of crises?
- How does the current fiscal policy response in Eurozone compare?

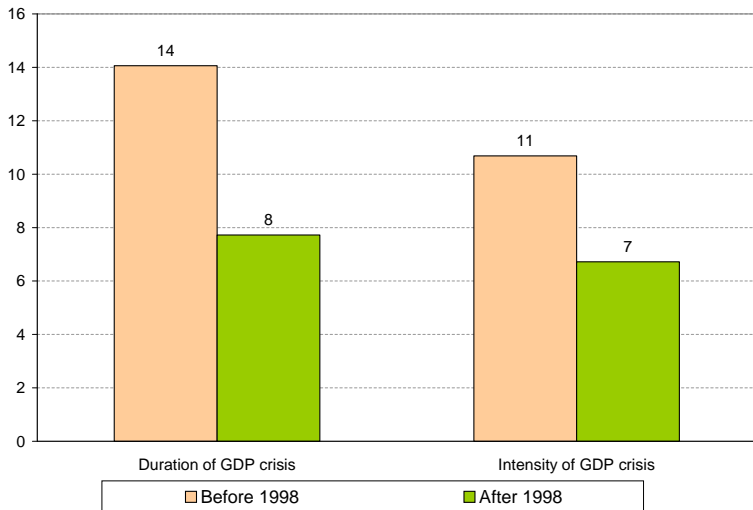
# GDP crises: Basic stylized facts

Country	Sample period	Main stylized facts of GDP crisis			
		Number	Frequency	Av. Duration (in quarters)	Av. Intensity (in percentage)
Argentina	1970:1 - 2013:1	7	0.49	12	9.6
Brazil	1980:1 - 2013:1	7	0.40	7	4.0
Chile	1980:1 - 2013:1	3	0.26	11	8.9
Colombia	1977:1 - 2013:1	2	0.13	10	4.0
Mexico	1981:1 - 2013:1	5	0.35	9	5.8
Peru	1979:1 - 2013:1	4	0.44	15	12.8
Uruguay	1979:1 - 2013:1	3	0.40	18	14.8
Venezuela	1998:1 - 2013:1	3	0.44	8	12.5
<i>Region (total <math>\times</math> or average <math>\dagger</math>)</i>		<i>34<math>\times</math></i>	<i>0.36 <math>\dagger</math></i>	<i>11 <math>\dagger</math></i>	<i>8.6 <math>\dagger</math></i>

# Frequency of GDP crises

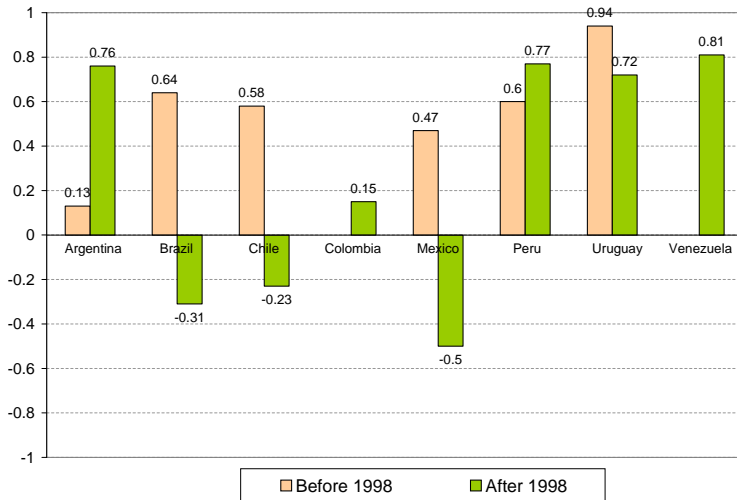


# Duration and intensity of crises

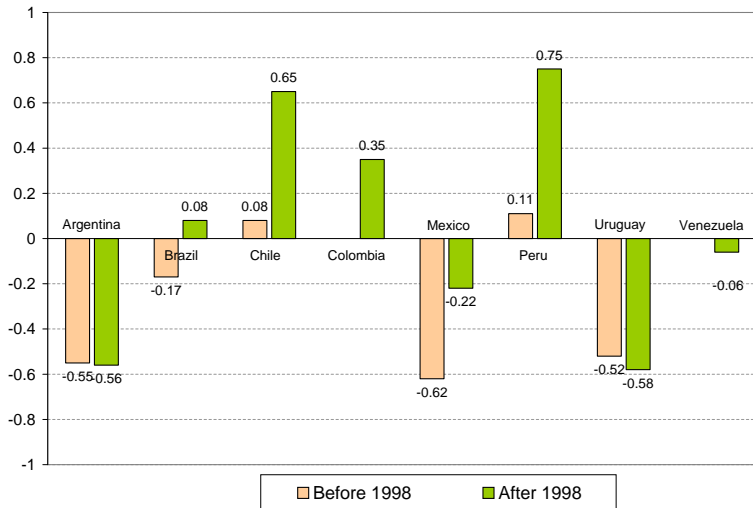




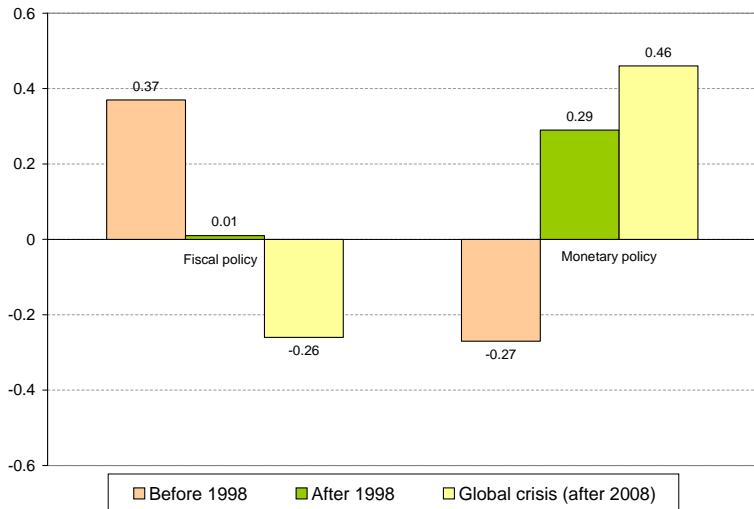
# Fiscal policy cyclicality during GDP crises



# Monetary policy cyclicality during GDP crises

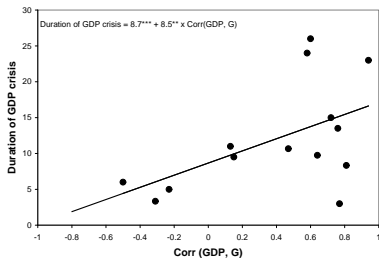


# Average fiscal and monetary cyclicality during GDP crises

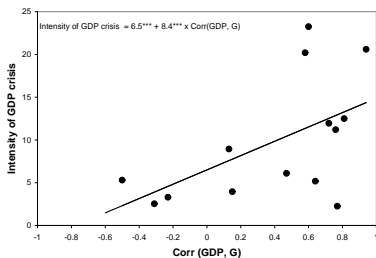


# Cyclicality of fiscal policy versus duration/intensity

## Duration

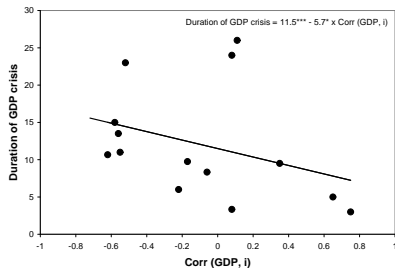


## Intensity

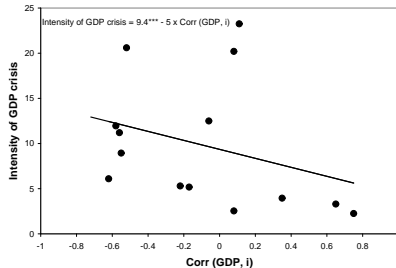


# Cyclicality of monetary policy versus duration/intensity

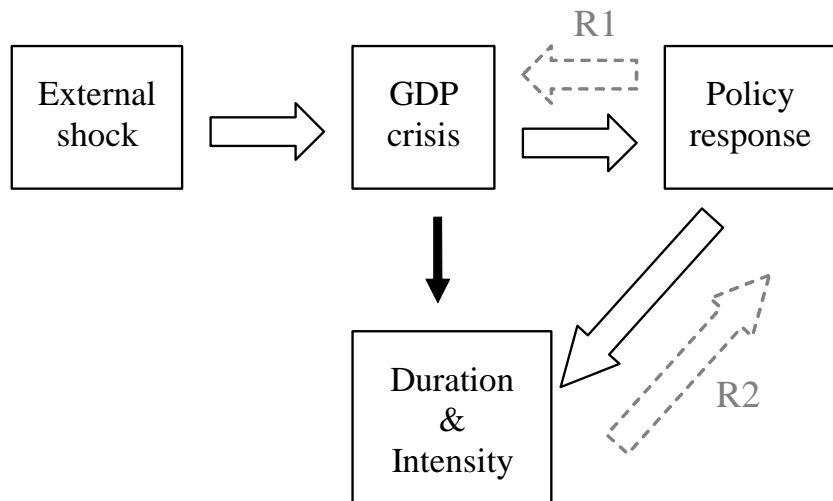
## Duration



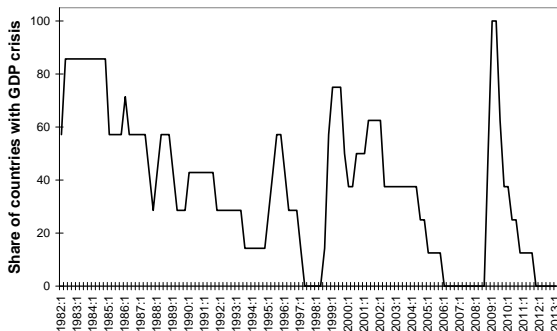
## Intensity



# Our view of the world



# Addressing R1: Synchronization index

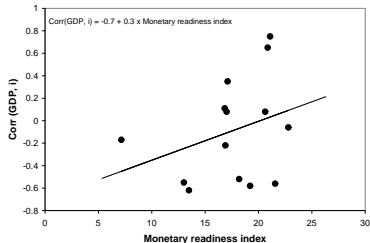
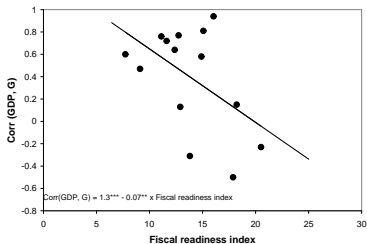
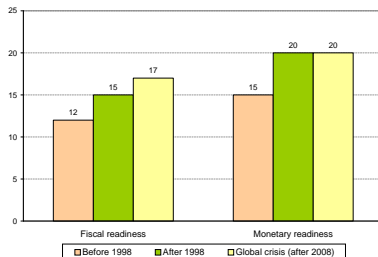


$Correlation(Synchronicity, \text{Federal Funds rate}) = 0.39^{***}$

$Correlation(Synchronicity, \text{Commodity index}) = -0.53^{***}$

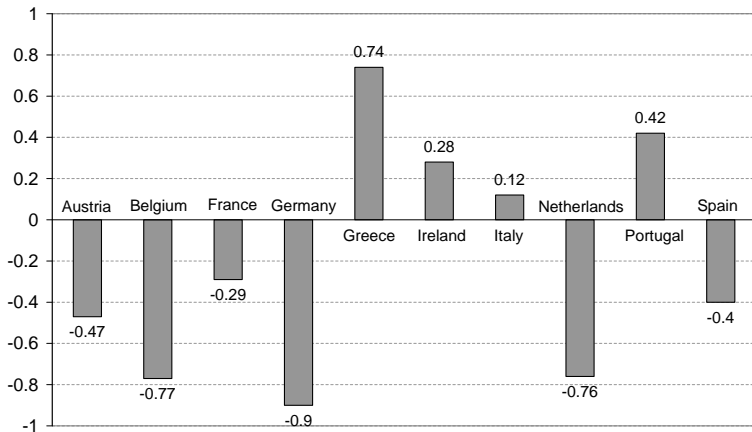
$Correlation(Synchronicity, \text{Capital inflows}) = -0.58^{***}$

# Addressing R2: Average readiness indices

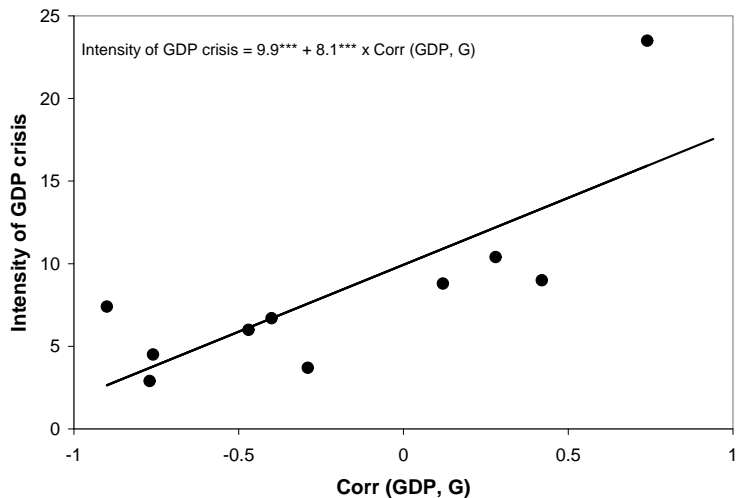




# Eurozone fiscal cyclicality during GDP crisis



# Intensity and fiscal policy



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- However, substantial heterogeneity across countries remains with some continuing to exhibit procyclical policy responses
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- Several Eurozone countries have behaved procyclically in recent crisis
- Further research: what are the factors that determine “graduation”?