

Under Pressure

WHEN we last featured Latin America on our cover in March 2011, the region was in the midst of a period of exceptional economic growth.

Between 2004 and 2013, Latin America recorded impressive growth and strong progress on a range of social issues. High commodity prices combined with strengthened economic management and progressive social policies to propel the region forward.

This strength was all the more striking against the backdrop of the 2008–09 global financial crisis, which mired many advanced economies in recession but saw emerging markets, including many in Latin America, power ahead. This led some observers to dub the period the “Latin American decade.”

Now, as the world’s economic leaders prepare to gather in Lima, Peru, in October for the Annual Meetings of the International Monetary Fund and the World Bank, the picture looks quite different.

Growth per capita ground to a halt in 2014 and budgets in many countries are under pressure. A decline in the price of commodities—the backbone of the region’s exports—and an overall moderation of global trade weigh on the region’s economies.

This issue of *F&D* examines challenges facing the region and explores ways to boost growth in the face of slumping commodity prices. Avoiding a prolonged slowdown is critical to realizing the region’s key goals: raising incomes of the poor, strengthening education and health care, and ensuring widely shared economic gains.

Columbia University professor and former Colombian Finance Minister José Antonio Ocampo leads off our cover feature on Latin America. He chronicles the region’s strong performance over the past decade and argues that to regain its footing, Latin America must upgrade its production structure and diversify its economies, lessening the dependence on commodities.

Alejandro Werner, head of the IMF’s Western Hemisphere Department, sees a loss of confidence as the greatest threat and suggests that clarifying the direction of economic policies can boost both business and consumer confidence—a key force for long-term sustainable growth. Articles by Nora Lustig on the urgency of addressing inequality and by Daniel Kaufmann on fostering a culture of good governance point to other areas of reform that can unlock economic potential.

Other articles look at recent developments in the region concerning capital flows, central bank mandates, and trade. A story on Cuba’s potential as a major player in Caribbean tourism rounds out our special feature.

Elsewhere in the issue, we look at the effect of unconventional monetary policy on emerging markets, trends in U.S. labor force participation, Islamic finance, and financial stress testing.

Finally, journalist and author Alan Wheatley profiles Sabine Alkire, whose passion for measuring and eradicating poverty has earned her a place among today’s top thinkers on global development.

Jeffrey Hayden
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