



Latin American Economic Outlook 2008: Advancing towards Pragmatism

The OECD plans to engage in a deeper analysis of the developments in Latin America, as is born witness to by the recently launched publication entitled "Latin American Economic Outlook 2008". Co-financed by the SDC, the 188-page report of the OECD Development Centre rates the development that has taken place over recent years as positive, and points out the macroeconomic stability and growth. A pivotal role is being played by pragmatic development models better in tune with national needs and potential, as opposed to the orthodox neo-liberalism which characterized the 1990s.

Progress in the fight against poverty is still far from satisfactory. In contrast to Asia where the situation of those in dire poverty has evolved for the better, in Latin America a stark decline in prosperity continues to be the lot of the poor, despite economic development. What can be done to change course? First and foremost, the Latin American Economic Outlook 2008 points to the need for action in the domain of fiscal policy. Latin American countries must collect and spend more tax revenue, and allocate it more efficiently. They must also enhance access of the poorest segments of the population to public goods. Well conceived fiscal policy has, in turn, a stabilizing effect on democratic institutions and on economic development. The Report supports this thesis with statistical data showing the correlation between the quality of fiscal policy, distribution of prosperity and the population's confidence in democracy.

In addition to fiscal policy, the Report focuses on other themes such as pension funds and financial-sector development, foreign investment and telecommunications, and trade with China and India. The thirst of the Asian giants for raw materials and foodstuffs provides a vigorous impulse to economic growth in Latin America. The South-South trade flow has taken a dramatic leap, thereby somewhat reducing Latin America's dependence on economic developments in the USA. For the positive trend in Latin America to be consolidated and translate into long-term progress in development, the Report calls for not only better fiscal policy, but also for more investment in infrastructure, technology, and education.