Essays on Economic Policy (ESPE in Spanish) - Institutional Quality and Total Factor Productivity in Latin America and the Caribbean

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A major breakthrough in the area of macroeconomics was the unifi cation of business cycle and growth theories by Kydland and Prescott (1982); accordingly, exogenous stochastic technological innovations —i. e. fl uctuations in total factor productivity (TFP) or supply shocks— would explain most recurrent short-term output deviations in industrialized economies. Regarding the sources of fl uctuations in developing countries, domestic shocks, particularly supply-side ones, have also been identifi ed as the main explaining factors of aggregate economic volatility. In this sense, Hoffmaister and Roldós (1997) and Ahmed (2003), in the Latin American context and Arreaza and Dorta (2004), in the case of Venezuela, demonstrate through the estimation of structural vector autoregressions (SVAR) that supply innovations account for more than 50% of total output variations.

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