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## What's next for Latin America?

**A**FTER the “lost decade” of the 1980s and the financial crises of the mid- and late-1990s and early years of this decade, Latin America is enjoying some much-needed breathing space. Growth has been strong during 2004–05, the destructive hyperinflation that once seemed characteristic of the region is an increasingly distant memory, and the economies of the region have been showing encouraging resilience to shocks. But what's next? Poverty in the region is still extremely high, the gap between rich and poor is the widest in the world, and progress on social indicators has been painfully slow. In fact, Latin America may be the only region, along with sub-Saharan Africa, not to reach the Millennium Development Goal of halving the 1990 level of income poverty by 2015. This social picture not surprisingly feeds into the political arena, which will be unusually active in the year or so ahead with elections across the region—including in the two largest countries economically, Brazil and Mexico. Thus, voters will have a chance to shape the region's economic agenda for years to come.

Against this background, the December issue of *F&D* takes a close look at Latin America, ranging from the overall economic picture to troubling social issues, including the plight of indigenous people. As part of our coverage, we bring in some regional viewpoints—one from Arminio Fraga, the former head of Brazil's central bank (1999–2002) who helped put an end to the country's hyperinflation; and another from Arturo Valenzuela, Director of Georgetown University's Center for Latin American Studies and former Senior Director for Inter-American Affairs at the U.S. National Security Council (1999–2000). In “People in Economics,” we profile Nora Lustig, the Argentinean-born development economist who broke ground with the concept of “socially responsible macroeconomics”—a call for policies that protect the poor during times of crises and simultaneously help lower chronic poverty.



A traditional *mola* made by the Cuna people of Panama.

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In “Back to Basics” and “Picture This,” we examine remittances—the flow of funds (either cash or goods) typically from migrants to their families at home. A recent World Bank study reveals that these flows are now the second largest source of external finance worldwide, and for some countries, the largest source of foreign exchange inflows. In recent years, the international community has stepped up efforts to enhance the development impact of remittances; one pro-poor measure would be to cut the costs of sending them in the first place. This issue of *F&D* also explores another source of funds that is growing at a remarkable pace (largely driven by growing oil wealth): Islamic finance. We learn that a sound, well-functioning Islamic financial system could help economic and social development in the numerous countries involved by financing economic infrastructure and creating badly needed jobs.

**Laura Wallace**  
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