



#### Editor's Note

The first research summary in this issue surveys research done at the IMF on *macroeconomic policies and income distribution*. Experience shows that widening income disparities tend to erode the political and social consensus required for the sustainability of macroeconomic and structural reforms, especially in developing countries. The need to understand the linkages between macroeconomic policies and income distribution has, therefore, become an important focus of IMF research.

In light of recent developments in some emerging markets, *dollarization*—the subject of the second article—is both highly topical and of considerable analytical interest.

The country/area study in this issue covers the *euro area*. With the advent of European Economic and Monetary Union, IMF surveillance of this area has involved analytical work on issues common to all twelve countries, as well as on areawide issues relating to indicators, instruments, and transmission channels of macroeconomic policies.

The special topic article describes a new IMF website on *Balance of Payments Statistics*—a useful compilation of data sources and information on conceptual issues related to external sector statistics. Also included in this issue are the summaries of proceedings of two recent IMF conferences, including the second Annual IMF Research Conference.

—Eswar Prasad

#### Research Summaries

### Macroeconomic Policies and Income Distribution

Aleš Bulíř



*The relationship between income inequality and economic policies is of considerable interest to both academics and policymakers. It is also a complex one: macroeconomic policies, structural changes, and redistributive interventions affect income distribution, while income inequality considerations can influence the selection of policies and reforms as well as their implementation and degree of success. The increasing focus on poverty alleviation in IMF-supported programs has further highlighted the need for a better understanding of the nexus between macroeconomic policies and income distribution. This article provides an overview of IMF research in this area.*

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### Dollarization

Andrew Berg



*Dollarization manifests itself in two forms: one voluntary and the other largely involuntary. The former type, called full or de jure dollarization, occurs when a country adopts a foreign currency, often the U.S. dollar, as its sole legal tender. The involuntary form, called partial or de facto dollarization, is less under the direct control of the authorities and occurs when a foreign currency circulates alongside a national currency, with bank deposits and loans possibly also denominated in a foreign currency. Most researchers place full dollarization within the realm of exchange rate regime choices in the economic literature, while partial dollarization is typically analyzed as an outcome of disorderly macroeconomic conditions. These two branches of analysis are nonetheless closely linked, as full dollarization is a more attractive choice for countries that find themselves largely dollarized de facto. This article surveys recent research at the IMF on the theoretical and empirical aspects of both partial and full dollarization.*

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