Title:Convergence and Heterogeneity in Latin American and The Caribbean Economies: A case study of Dynamics and stability across IMF-Supported Programs

Keywords: Convergence; Cluster Analysis; QCA; IMF; Latin America

Continuing the empirical debate on the effects of IMF-supported programs on the socio-economic performance of participating countries in Latin American and The Caribbean. Using macro socio-economic datasets, focus is placed on the issue of whether these programs lead to convergence among low-income and emerging economies through the use of an original quantitative research method: Dynamic Patterns Synthesis (DPS). DPS provides a new longitudinal method for studying macroeconomics and public policy and has evolved from the established methods of Hierarchical Cluster Analysis (HCA) and Qualitative Comparative Analysis (QCA). DPS identifies country convergence and divergence (using quantitative techniques), while also remaining close to the qualitative uniqueness of each country. HCA is used first to explore and hypothesize about country groupings. Crisp set, QCA is then applied to each cluster, to test what variable patterns underpin each group. Where a cluster shares variable characteristics, these are referred to as the ‘prime implicants’. Different variable patterns evidence different clusters, allowing for considerations of ‘complex causal configurations’. For example, consistent economic growth may be caused by different patterns of variable scores in different clusters. Longitudinal calculations are then used to examine whether patterns remain consistent over time. The DPS approach is being used to consider countries in Latin American and The Caribbean and the interaction of IMF interventions across countries through the 2007 financial crisis. In this research, IMF categories of interventions are added to the model, after the first hierarchical cluster analysis and cluster definition stage. The early findings are revealing a degree of stability and dynamics experienced by in Latin American and The Caribbean economies overtime. The importance of ‘outliers’ as specific case studies and the lack of convergence. These case-based methods highlight the importance of individual differences. This raises policy issues associated with economic complexity, such as how best to create an overall environment of stability that might promote convergence and reduce the instability that undermines planning and investment.