"Currency Boards and Productivity Growth"

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Table 1

Inflation Rates

(Percentage annual changes in consumer`s prices)

YEAR	1988	1989	1990	1991	1992	1993	1994
Inflation Rates	343.0	3079.5	2314.0	171.7	24.9	10.6	3.9

(Source: INDEC)

Table 2
Capital Inflows

(Millons of US dolars)

Year	1991	1992	1993	1994
Private Sector	2812	14078	12579	9292
Public Sector	972	-1896	3568	2176
Total	3784	12182	16147	11468

(Source: Carta Económica, Estudio M.A.M. Broda)

Table 3
Macroeconomic Performance
(Percentage annual changes)

Year	GDP	Consumption	Inverstment	Exports	Imports
1990	0.1	- 0.4	- 9.9	18.9	0.6
1991	8.9	12.6	25.1	- 8.3	64.9
1992	8.7	11.4	30.9	- 1.3	66.0
1993	6.0	5.1	13.7	5.0	11.0
1994	6.0	4.0	18.1	12.2	17.0
1991/ 94	33.0	37.1	120.0	6.6	255.5

(Source: Carta Económica, Estudio M.A.M. Broda)

$$Y = F(K, L) \tag{1}$$

$$S = sY \qquad 0 \langle s \langle 1 \tag{2}$$

$$S = I \tag{3}$$

$$L_t^s = L_0 e^{nt} \tag{4}$$

$$L_t^s = L_t^d \tag{5}$$

$$k = \frac{K}{L} \qquad y = \frac{Y}{L}$$

$$y = f(k) \tag{6}$$

$$\frac{\dot{k}}{k} = \frac{\dot{K}}{K} - \frac{\dot{L}}{L} \tag{7}$$

$$\dot{K} = I = S \qquad \frac{\dot{L}}{L} = n$$

$$\frac{\dot{k}}{k} = \frac{S}{K} - n \tag{8}$$

$$\dot{k} = sf(k) - nk \tag{9}$$

steady-state
$$
\begin{cases}
\dot{k} = 0 \quad , \quad k = k^* \quad , \quad y = y^* \\[2em]
r^* = f'(k^*) \qquad \text{and} \\[3em]
w^* = f(k^*) - k^* f'(k^*)
\end{cases}
$$

$$
p = \bar{p}\theta \qquad\qquad w' = \frac{w}{p\,\theta}
$$

$$
y = Ak^{\alpha} \tag{10}
$$

$$\dot{k} = sAk^{\alpha} - nk \qquad \text{(11)}$$

$$k^* = \left(\frac{sA}{n}\right)^{\frac{1}{1-\alpha}} \qquad \text{(12)}$$

$$w' = \frac{w}{p\theta} = (1-\alpha)Ak^{\alpha} \qquad \text{(13)}$$

$$\frac{d\ln w'}{d\ln k} = \alpha \qquad \text{(14)}$$

$$\frac{w}{p\theta} = (1-\alpha)A(k^*)^\alpha \qquad \text{(15)}$$

$$\frac{w}{p\theta} = (1-\alpha)A(k^{**})^\alpha \qquad \text{(16)}$$

$$d\ln w = \frac{d\ln w}{d\ln k}d\ln k \qquad \text{(17)}$$

$$dlnk = \frac{k_0}{k^{**}}\,dlnk_0 + \frac{k^*}{k^{**}}\,d\,lnk^* \qquad \text{(18)}$$

$$\hat{w} - \hat{\theta} - \hat{p} = \alpha \left\{ \frac{k_0}{k^{***}} \hat{k} + \frac{k^*}{k^{**}} \frac{1}{1-\alpha} \left(\hat{s} + \hat{A} - \hat{n} \right) \right\}$$

(19)

$$\frac{\hat{w} - \hat{\theta} - \hat{p} - \dfrac{k^*}{k^{**}(1-\alpha)} \dfrac{\alpha}{1-\alpha} \hat{s} - \dfrac{k^*}{k^{**}} \dfrac{\alpha}{1-\alpha} \hat{A} + \dfrac{k^*}{k^{**}} \dfrac{\alpha}{1-\alpha} \hat{n}}{\dfrac{k_0}{k^{**}} \hat{k}} = \alpha$$

(20)

Table 4
Total Factor Productivity Evolution

α	1-α	Â annual	Â (1990/94)
0.60	0.40	0.040	0.177
0.62	0.38	0.040	0.174
0.64	0.36	0.039	0.171
0.66	0.34	0.038	0.168
0.68	0.32	0.038	0.165
0.70	0.30	0.037	0.161