

## Prologue

In 2005, the Board of Governors of CEMLA, at the request of the president at that time, Martin Redrado, took the decision to encourage joint research activities among the Center's member central banks in order to bolster economic research on topics of mutual interest and leverage collaboration. Thus, in July of that same year the heads of studies at the central banks on the Steering Committee of CEMLA's Central Bank Researchers Network met to analyze the best way to implement a joint research program. After reviewing the projects being carried out at each central bank on the Committee, they identified the topics of interest that could be addressed by employing a common methodology. It was also suggested that these papers be presented at the annual meetings of the Researchers Network and published in a special book. The proposal was formally approved in October 2005 under the framework of the X Meeting of CEMLA's Researchers Network. The terms of reference for the first joint research project were elaborated in 2006, leading to publication of the first book in 2008 entitled *Estimating and Using Unobservable Variables in the Region*.

Since then, CEMLA has encouraged annual joint research projects among its members. Research topics are selected by the heads of studies at central banks on the Researchers Network Steering Committee. Meanwhile, representatives from participating central banks act voluntarily as coordinators for each of these projects.

Under this context, in 2009 a joint research project named Inflation Dynamics, Persistence, and Prices and Wages Formation was carried out. The importance of this topic is plain to see: a proper understanding of inflation dynamics is essential for modeling and formulating monetary policy.

The articles were divided into three topics: *i*) inflation persistence; *ii*) price formation; and *iii*) wage rigidities. Regarding the first of these, the book includes six papers focusing on identifying general changes in inflation trends, as well as on the degree of inflation persistence. The second topic brings together four papers studying price formation from a macroeconomic viewpoint, using direct surveys of producers, or calculations of

frequency and duration using microdata from consumer price indexes or retail points of sale. After analyzing this information, the authors identify the general behavior of producers for setting prices and changes resulting from inflation shocks. The book ends with two articles on wage rigidities, which are also taken from a macroeconomic standpoint. The researchers use individual surveys and surveys aggregated by the type of firm or business sector. This information allows them to identify some relations between wage levels (and their rigidity –degree and direction–) and the average age of workers, the type of firm and the state of the economy, among other factors, in order to obtain information for supporting economic policy decision-making.

Although these topics have been extensively analyzed in recent years, in the case of Latin America work had been focused on certain economies of the region and had not made efforts to analyze them under the framework of a common effort. The 12 articles included in this book were written by researchers from Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Uruguay and Venezuela. We would like to thank them for their interest and enthusiasm in developing the joint research, which, we are sure, will be extremely useful for those interested in the topic from both inside and outside our region.

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