

Response to Referee 2

1. Effectively, the period sample is a bit short because we cannot estimate sectoral labour productivities for all countries of our samples with the data available prior to 1991. In fact, empirical analysis of the BS hypothesis in emerging market economies unavoidably face a trade-off between a) making rough and imperfect calculations of labour productivities for the whole economy, which forces us to not differentiate between sectors, and b) computing labour productivities *for each of the two broad sectors* on which the BS hypothesis crucially relies: tradables and non tradables. The first method allows the researcher to obtain data for longer periods, but at the cost of ignoring the differences in labour productivity between sectors. This is the option followed by Drine and Rault (2003) and Lane and Milesi-Ferretti (2004), who used simple GDP per capita of the incumbent countries as a proxy of *global* productivity. We prefer method b) because, apart from being more precise and reliable for sectoral analysis than method a), it also matches better with the spirit of the BS theorem.

Using monthly data is a good procedure to increase the number of time observations. Unfortunately, we cannot make recourse of it due to the lack of data concerning employment in LA countries, on sectoral and monthly basis, during the period of analysis.

In any case, we are aware of the difficulties created by the short time period, and try to overcome them by using panel observations and applying recent and consistent bootstrapping methodologies to our panel data.

2. In the new version of the paper we briefly review the literature (see the Introduction of the paper) on BS effect on LA countries, and on other groups of emerging market economies, and explain the novelties of our approach with respect to the ones adopted in previous contributions. Moreover, in section 4.4.2 we compare our findings with the results obtained in previous empirical studies.
3. To build our variables, we first compute indices and then transform the series into logarithms. The base year for the indices is 1991.
4. We also believe that explaining differences in observed BS effect for individual countries with the help of regression analysis is a very interesting topic for future research.

Thank you very much for your very interesting and instructive comments and suggestions.