

# Historical Problems of Latin Am. Development + Early Eco Devt

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Lecture for LAPE

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# Overview of Latin American Eco.s

- Historical periods in LA eco history
- Performance of LA ecos over time
- Long-standing problems in LA eco devt

<u>Ideological Period</u>	<u>Dominant Political-Economic Groups</u>	<u>Innovative Economic Policies and Economic Knowledge Networks</u>	<u>Dominant Economic Ideology</u>	<u>Crisis which ended period</u>
<i>Colonial (1500-1800)</i>	King and his delegates, large agricultural and mining owners		colonial mercantilism	political independence wars
<i>Independence* (1800-1870)</i>	creoles: caudillos and centralizers; Conservatives and Liberals; primary product owners; foreign investors		classical liberalism	consolidation of governments, end of civil wars
<i>1<sup>st</sup> export boom (1870-1930)</i>	primary product exporters, foreign direct investors, and exporters	Mexico- Diaz's <i>cientificos</i> **	liberalism	closure of international export markets with the Great Depression and World War I and II

<p><i>National Populism (1930-1955)</i></p>	<p>Populist dictators, organized labor, consumer goods industrialists</p>	<p>Mexico- ruling PRN; Peru- APRA; Uruguay- Batlle; Argentina- Peron; Vargas- Brazil</p>	<p>ISI1</p>	<p>exhaustion of easy ISI, political and inflationary crises</p>
<p><i>State-led Industrialization (1955-1980)</i></p>	<p>military, high tech/capital industrialists, foreign finance and capital goods exporters, U.S. aid; economists</p>	<p>Brazil &amp; Peru- military-led development; Cuba- Marxist development; ECLA**</p>	<p>ISI2***</p>	<p>inflationary and debt crises</p>
<p><i>Neo-liberalism (1980-present)</i></p>	<p>military transition to civilian state, economists; international finance; foreign investors; industrial and primary product exporters</p>	<p>Pinochet- Chicago Boys**</p>	<p>neo-liberalism</p>	

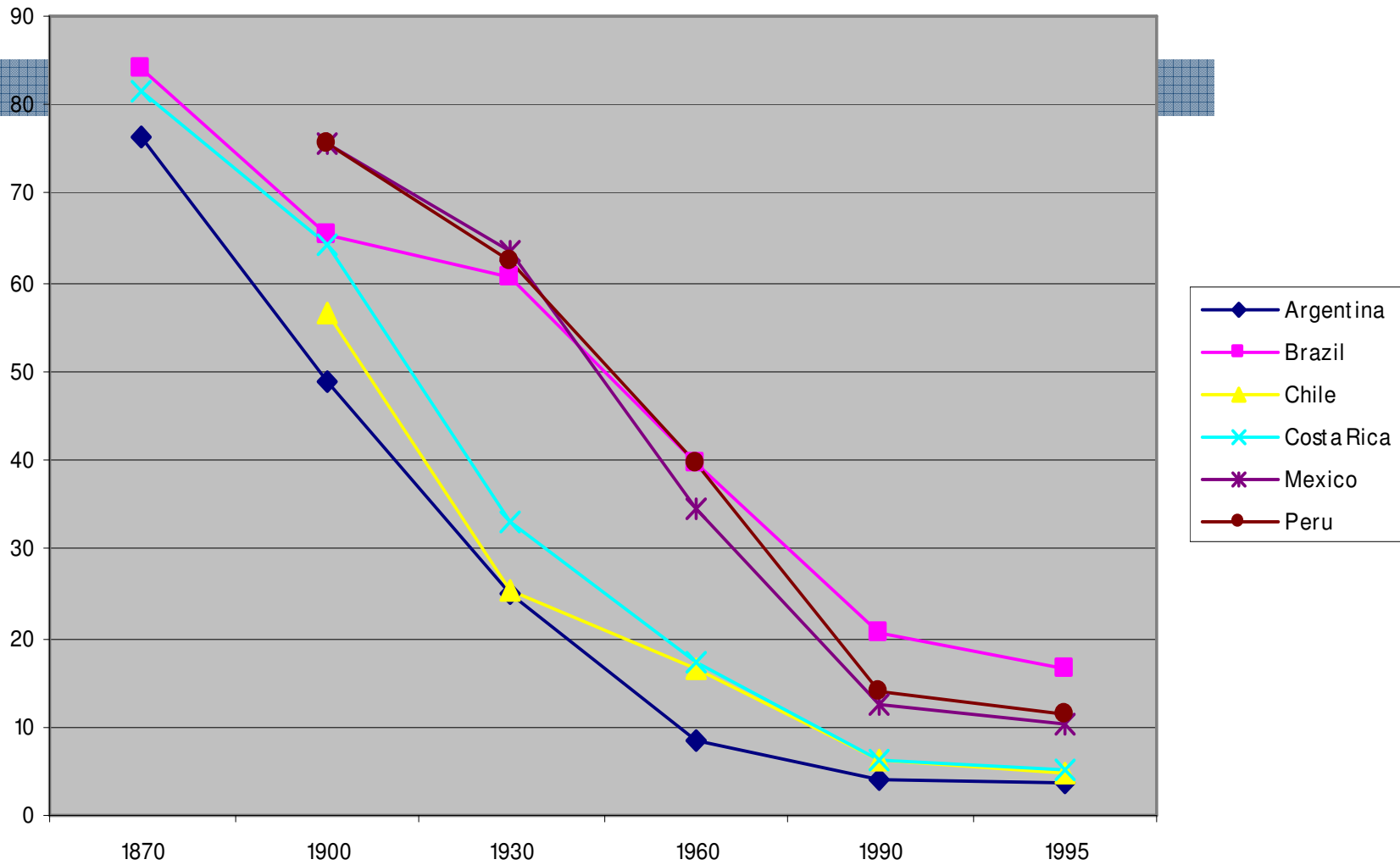
# Moving Beyond Naïve Views

- Naïve view 1: LA is exploited in a dependency r/ship w/the US.
  - US is not dependent on LA, but vice versa true
  - By a # of indicators, conditions have improved in LA over the course of the century
  - There is tremendous diversity w/i LA. Several countries have strong manufacturing bases.
- Naïve view 2: LA has been experiencing steady progress
  - Most LA nations struggle w/lack of consistent growth or stable economic conditions
  - Most LA nations still have nefarious inequality.
- Conclusion: In order to solve problems, we need to understand and appreciate the complexity of the situation. We should also appreciate that the economy is closely intertwined with politics, int'l, domestic, and local.

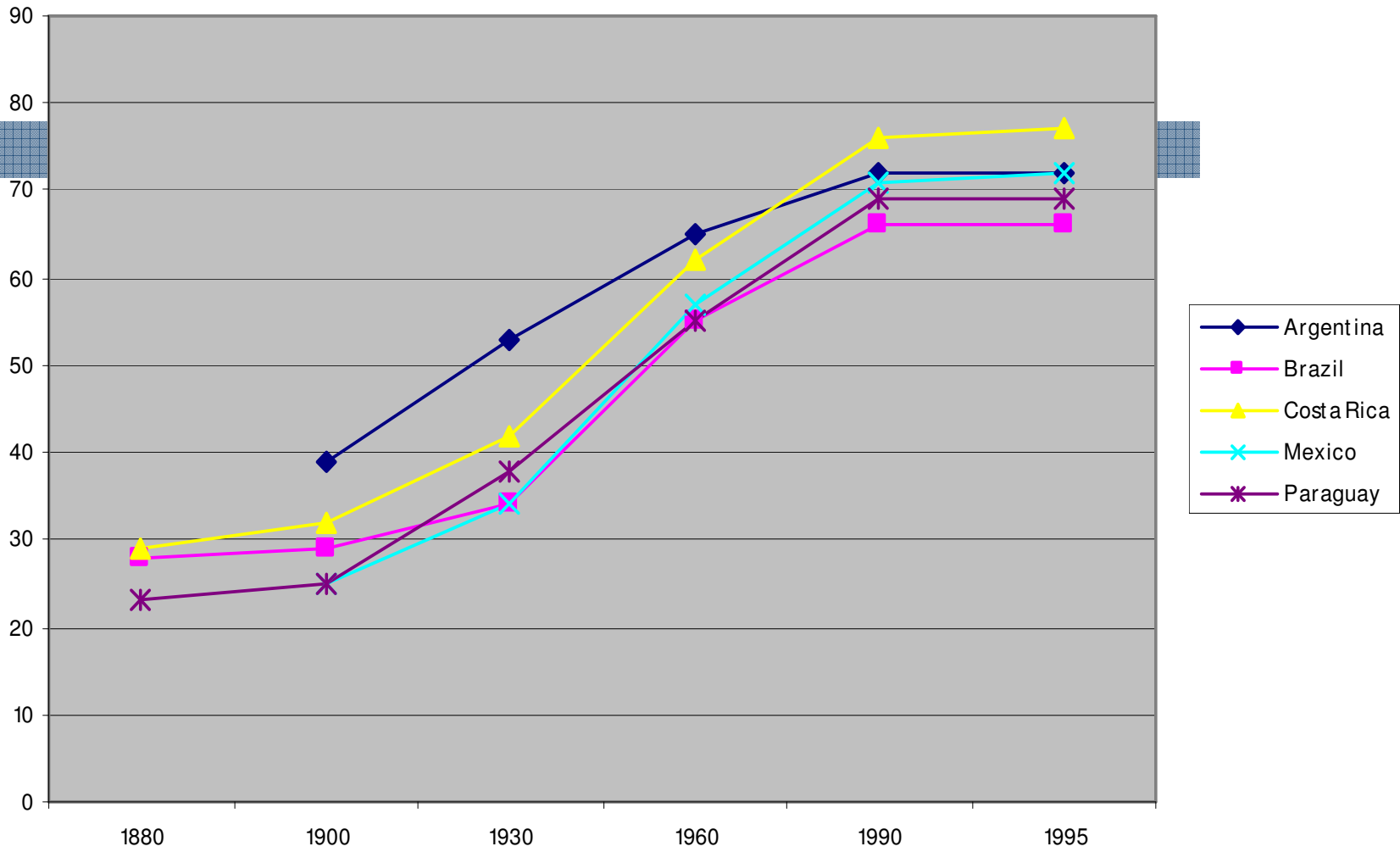
# Historical Progress in LA

## Illiteracy in LA

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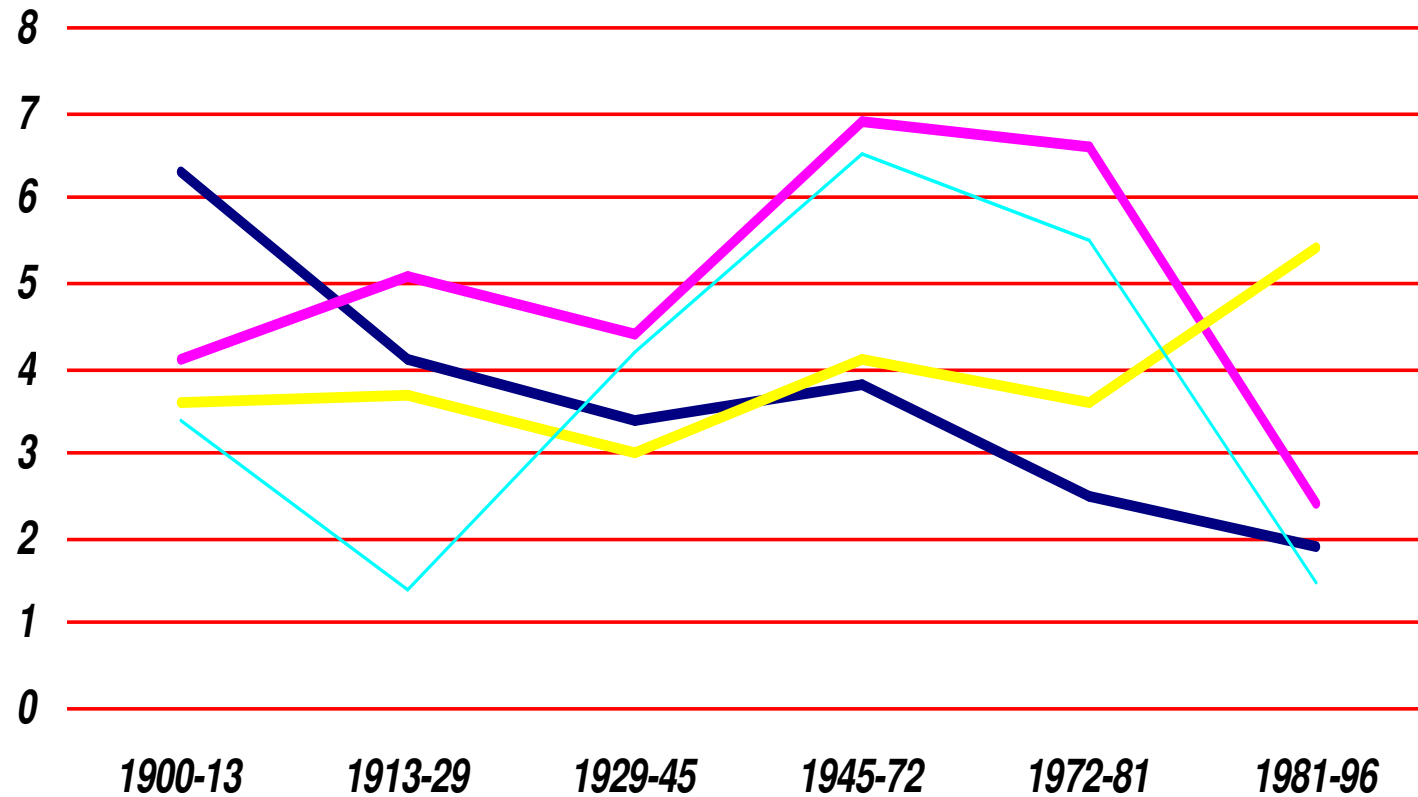


# Life Expectancy in LA



# Cyclical Nature of LA Growth

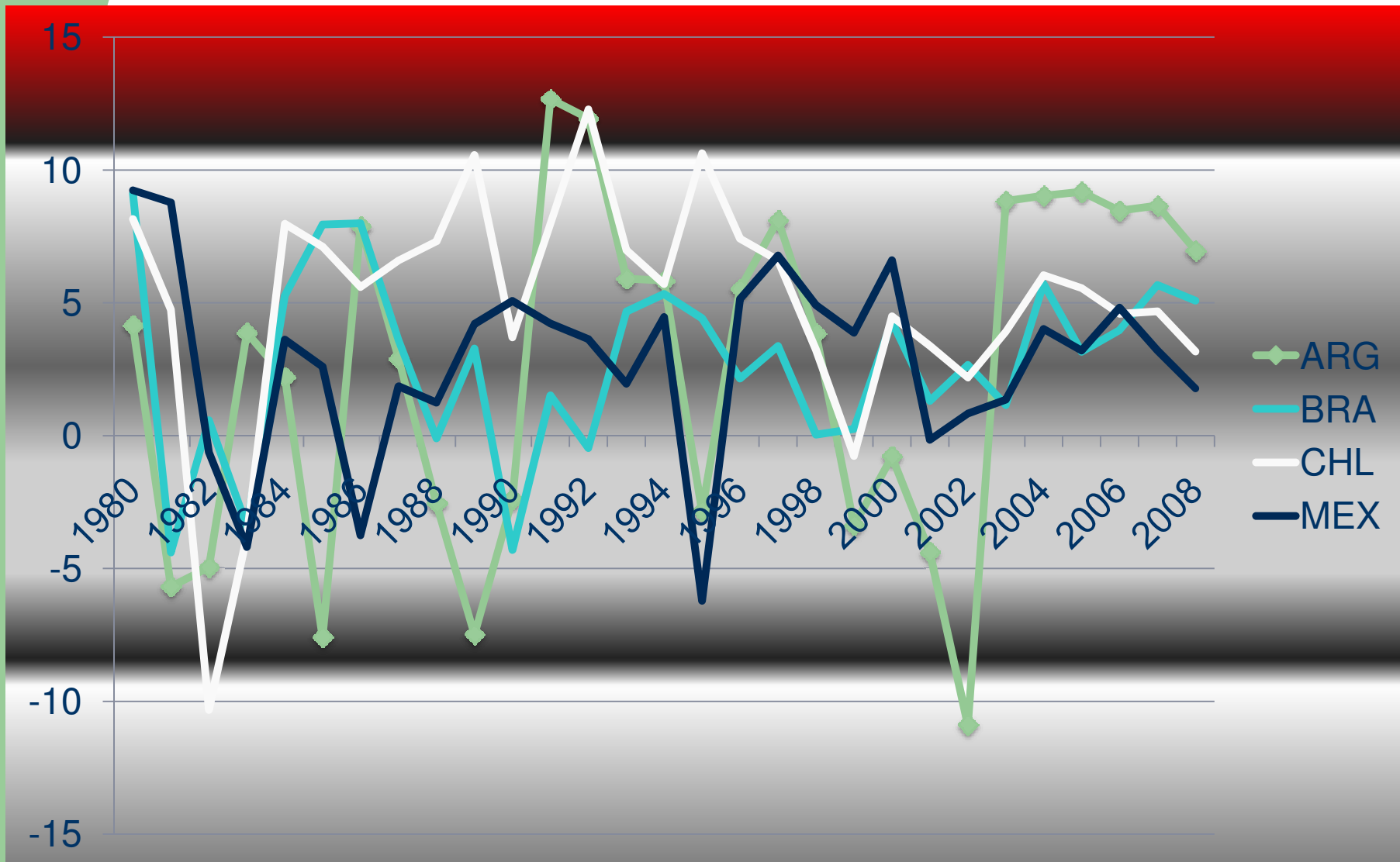
Ave. GDP Growth By Decade



Source: Thorp

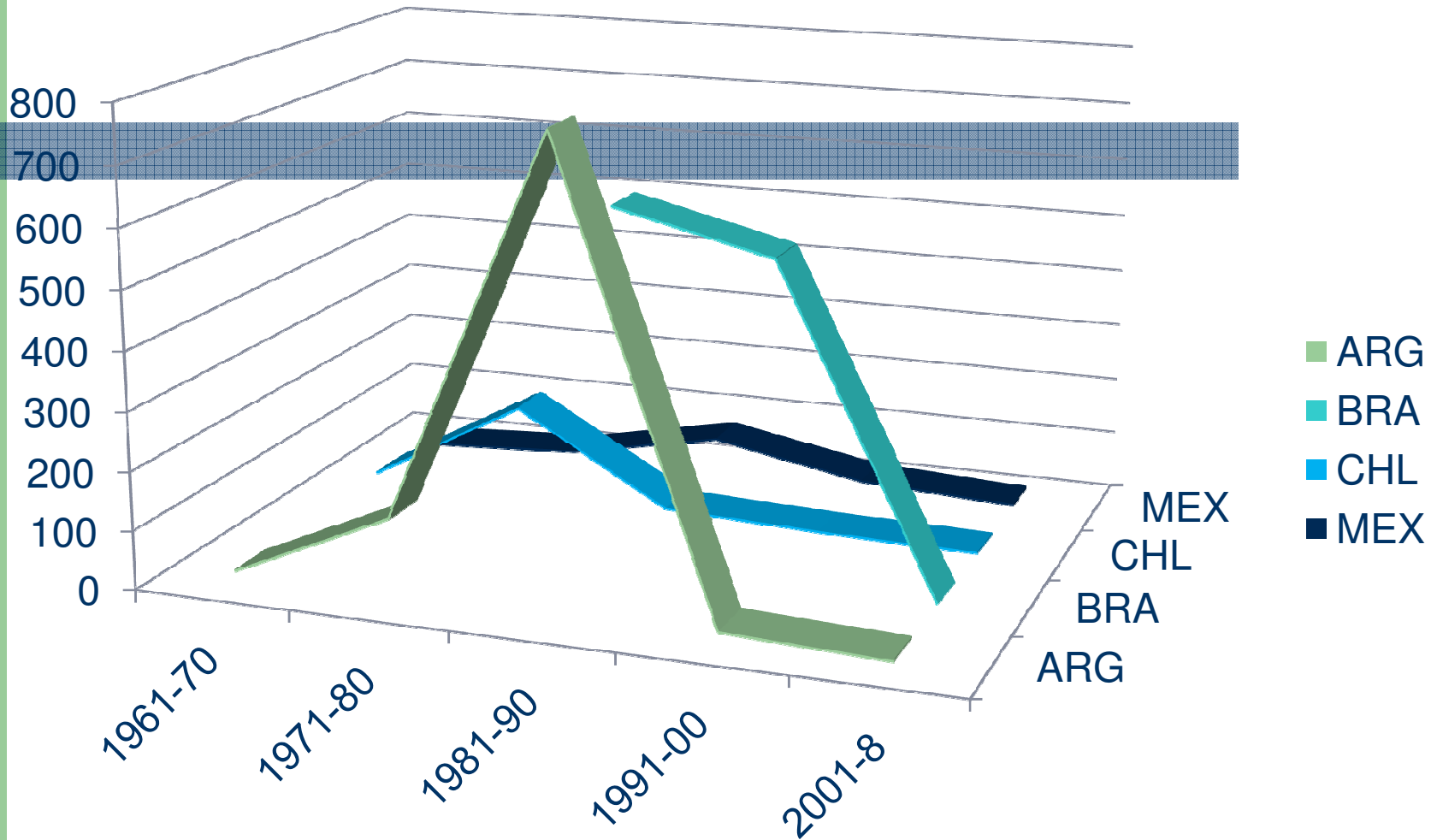
— Arg — Brz — Chile — Mexico

# LA under Neoliberalism



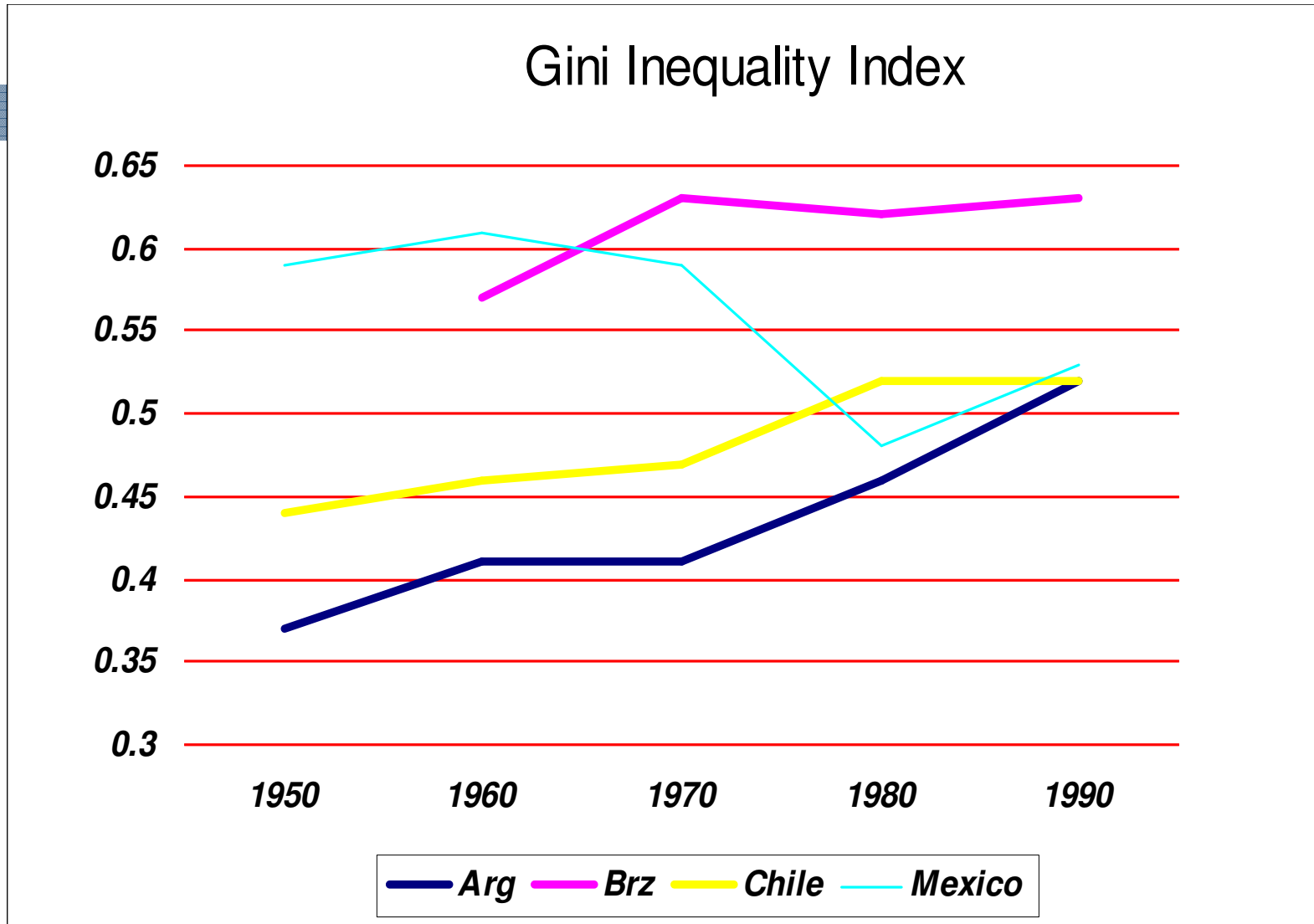
Source: WDI; Annual % GDP growth rates

# 1990s- Miracle Or...



Source: WDI, Average Annual Inflation Rates by Decade

# Same Old?



# Long-Standing Problems in LA Devt

- Persistent, increasing income inequality (though abs. standards have certainly improved)
- Continuing lack of product & X diversification
- Continuing dependence on outside for investment, K
- Instability in economic policy from instability in politics
- Very s-t mentality towards economic planning
- Lack of redistribution of wealth means only a fledgling MC
- Most social, interest groups dominated by & parasitic upon, state

# Discussion Points

- 1. Is the development trajectory of a country “path-dependent” (Mahoney)?
  - Does his argument that colonial centres do poorly and peripheries well hold up? What alternative explanations can explain this outcome in LA?
  - Why would a large indig. pop’n ld. to poor results?
    - Why would having liberals help?
- 2. What is the basic idea behind the “natural resource curse”?
  - Why does Maloney say this is exaggerated?
  - What does Maloney think is really the key explanation for LA backwardness?
- Compare Mahoney with Maloney? Which explanation is more convincing?
  - What do you think is the most convincing explanation for LA backwardness?