

LA Structuralism

Lecture for LAPE, SFU

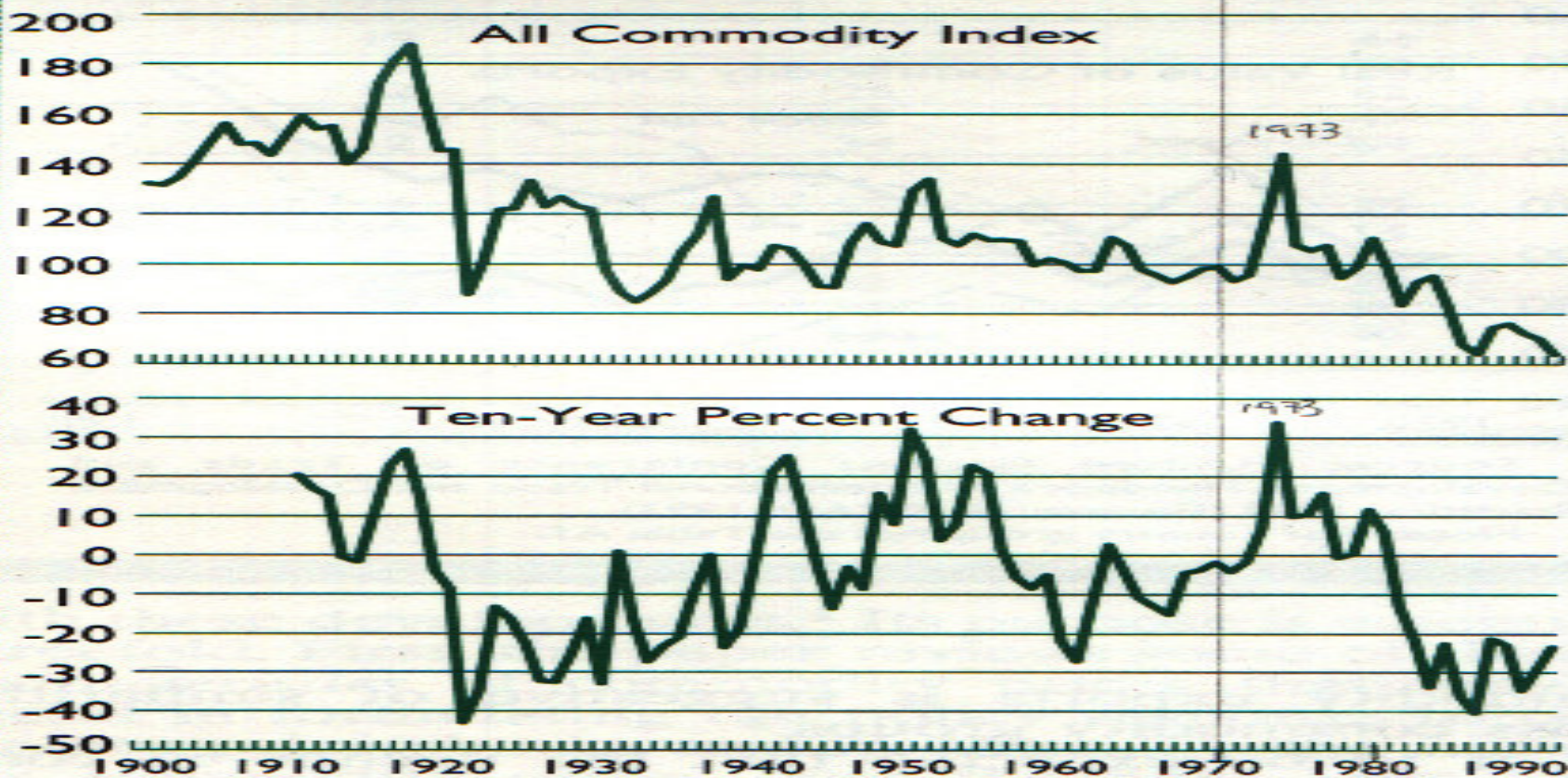
Dr. Anil Hira

Overview of Lecture

- ◆ Part I: Structuralism
 - ◆ The Diagnosis
 - ◆ The Philosophical Basis
 - ◆ The Historical Record
 - ◆ Objections
 - ◆ Answers to Objections
 - ◆ Current/Future Applications?
- ◆ Part II: CEPAL & Prebisch
- ◆ Part III: Application to Chile

The Diagnosis

- ◆ Terms of Trade Argument- Prebisch-Singer hypothesis
- ◆ Strong belief in Keynesian multipliers
- ◆ Bottlenecks to economic growth, industrialization
- ◆ Skepticism of monetarism- vis a vis inflation-capacity vs. MS analysis
- ◆ Need for state leadership & economic planning



Sources: Grilli and Yang (1988); and Reinhart and Wickham (1994).

Note: Commodity prices deflated by export unit values of manufactured goods.

Behavior of Non-Oil Commodity Prices p.1, the International Monetary Fund, Washington DC August 1994;

<http://csf.colorado.edu>

[/students/Hosomi.Eiji/similarity.html#graph16](http://students/Hosomi.Eiji/similarity.html#graph16)

Philosophical Basis

- ◆ Skepticism of “natural” mkt. forces, esp. in LA
- ◆ Skepticism of local K, L classes
- ◆ Industrialization as the end goal
- ◆ Industrialization requires “big push,” infant industry
- ◆ Not autonomy, nor exclusively inward devt, but devt. of domestic mkt important
- ◆ Expectations of massive external public aid
- ◆ Later: added integration, redistribution

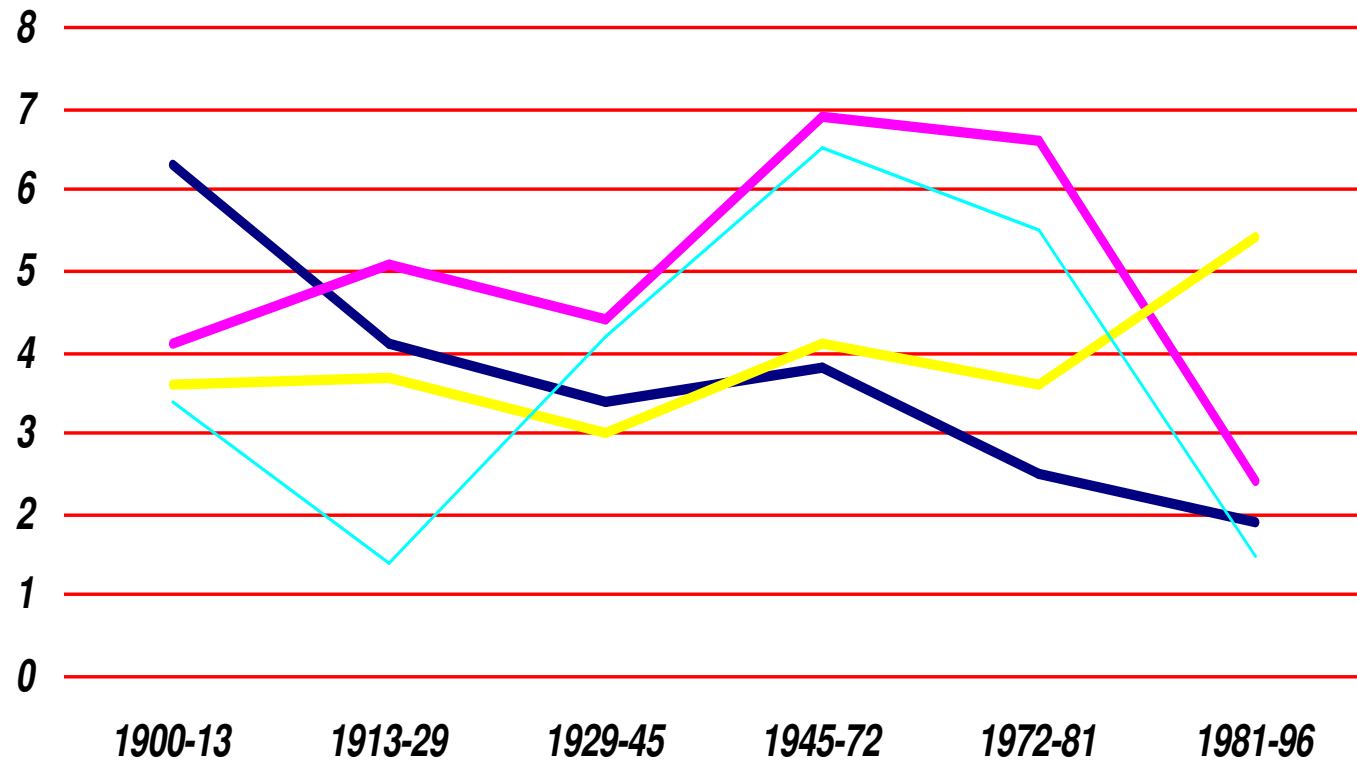
The Historical Record- Problems

- ◆ Serious Problems:
 - ◆ Ag-bias
 - ◆ SOE white elephants- uncompetitive, infants don't grow up
 - ◆ Growing dependence on imported inputs (lack of linkages)
 - ◆ Planning over-rated
 - ◆ No Marshall Plan, no integration, no redistribution
 - ◆ Result: growing inflationary, BOP, debt problems, increasing unhappiness on both left and right
- ◆ Thus structuralism has been vilified as the source of all subsequent inefficiencies & the debt crisis

The Record, Successes

- ◆ High growth rates, rapid improvement of abs. living stnds
- ◆ Development of an industrial base- steel, infrastructure, autos, etc etc
- ◆ Reduction of influence of agricultural elite
- ◆ Devt. of domestic Kst class of industrialists
- ◆ Devt. of corps of capaz state technocrats
- ◆ Strong performance: GDP, L pdctivity, gross inv

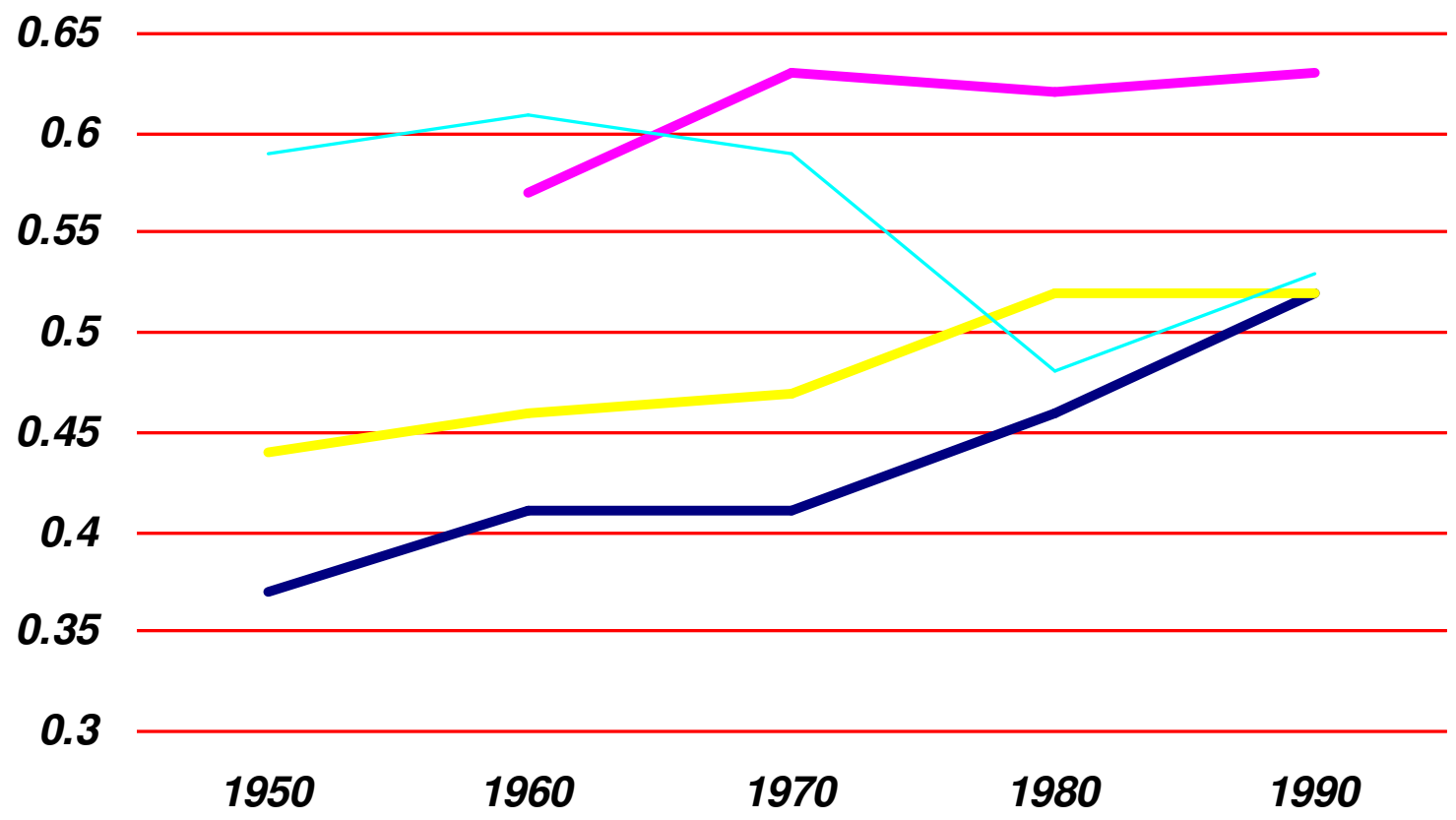
Ave. GDP Growth By Decade



Source: Thorp

— Arg — Brz — Chile — Mexico

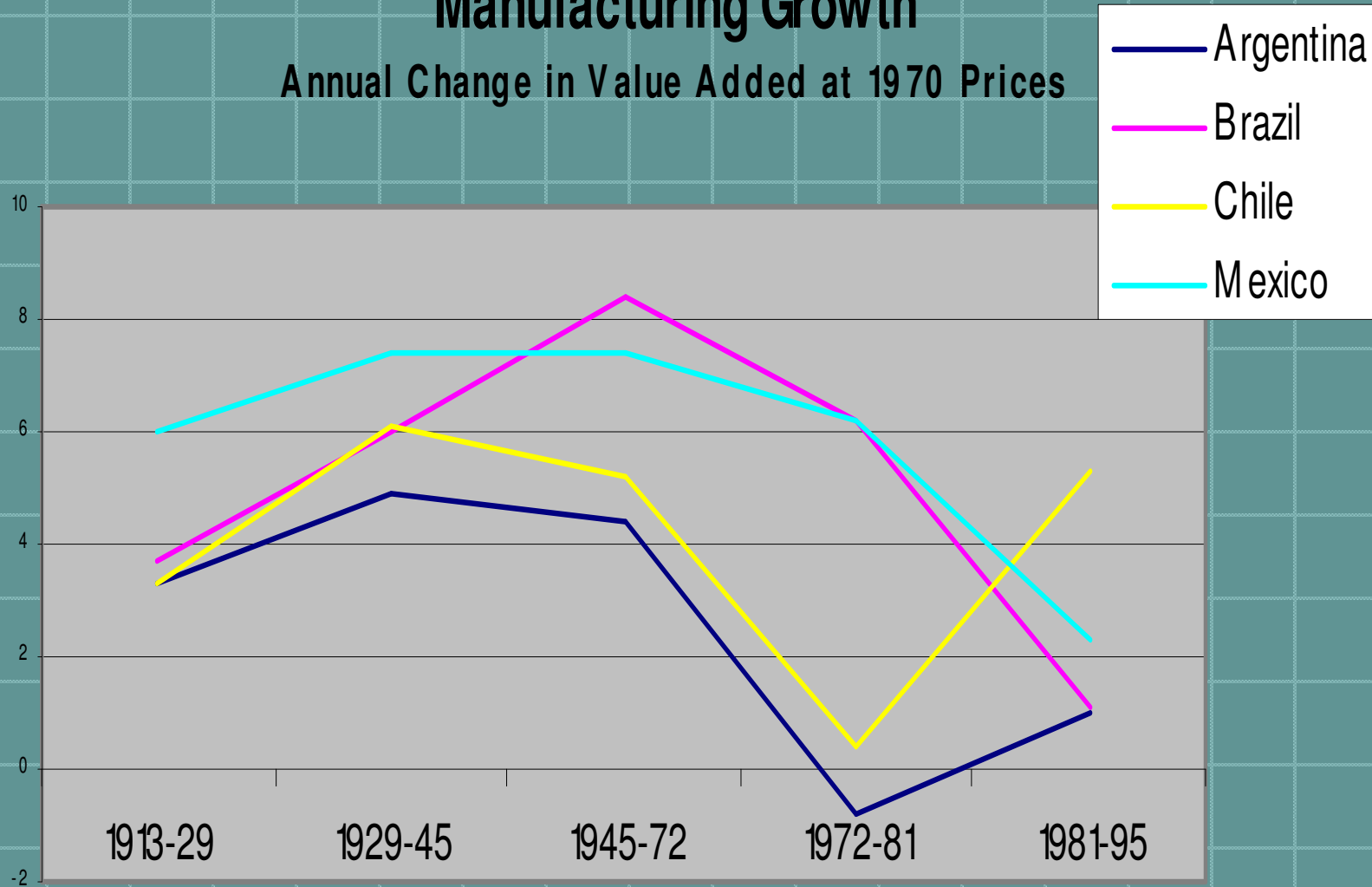
Gini Inequality Index



— Arg — Brz — Chile — Mexico

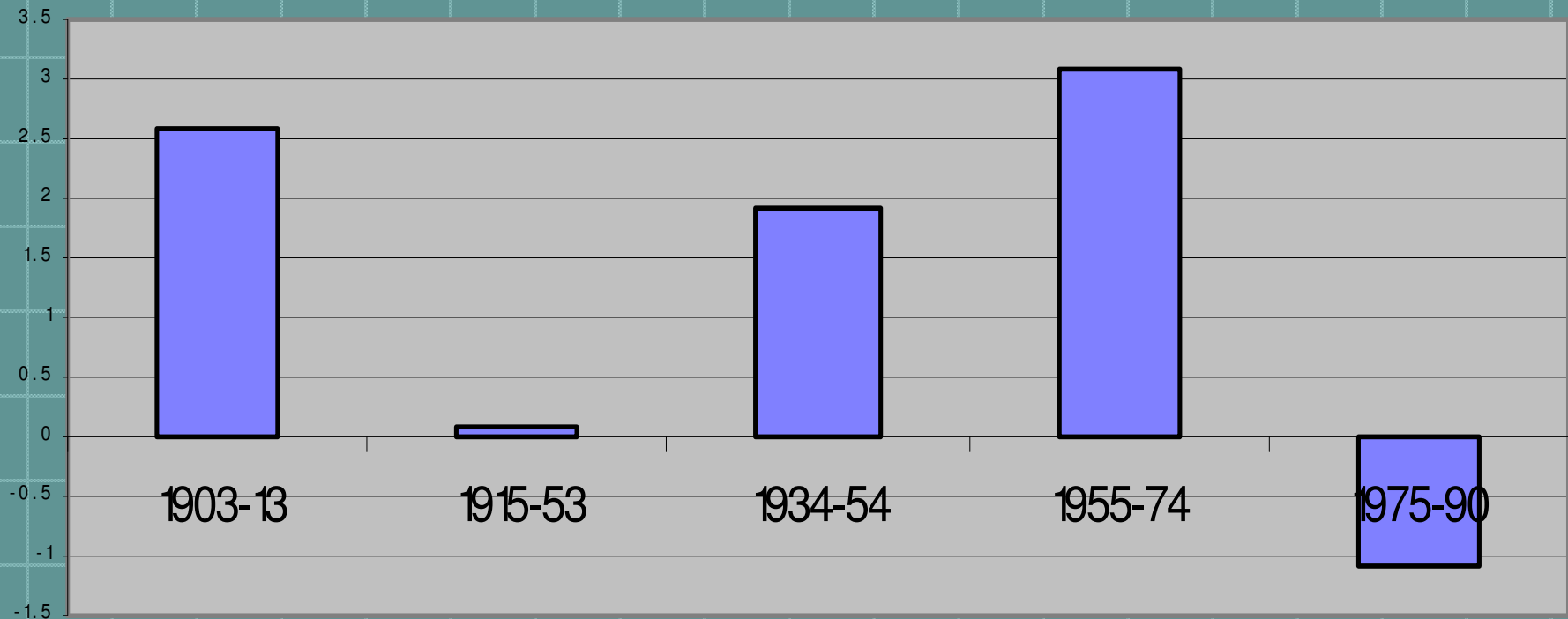
Manufacturing Growth

Annual Change in Value Added at 1970 Prices



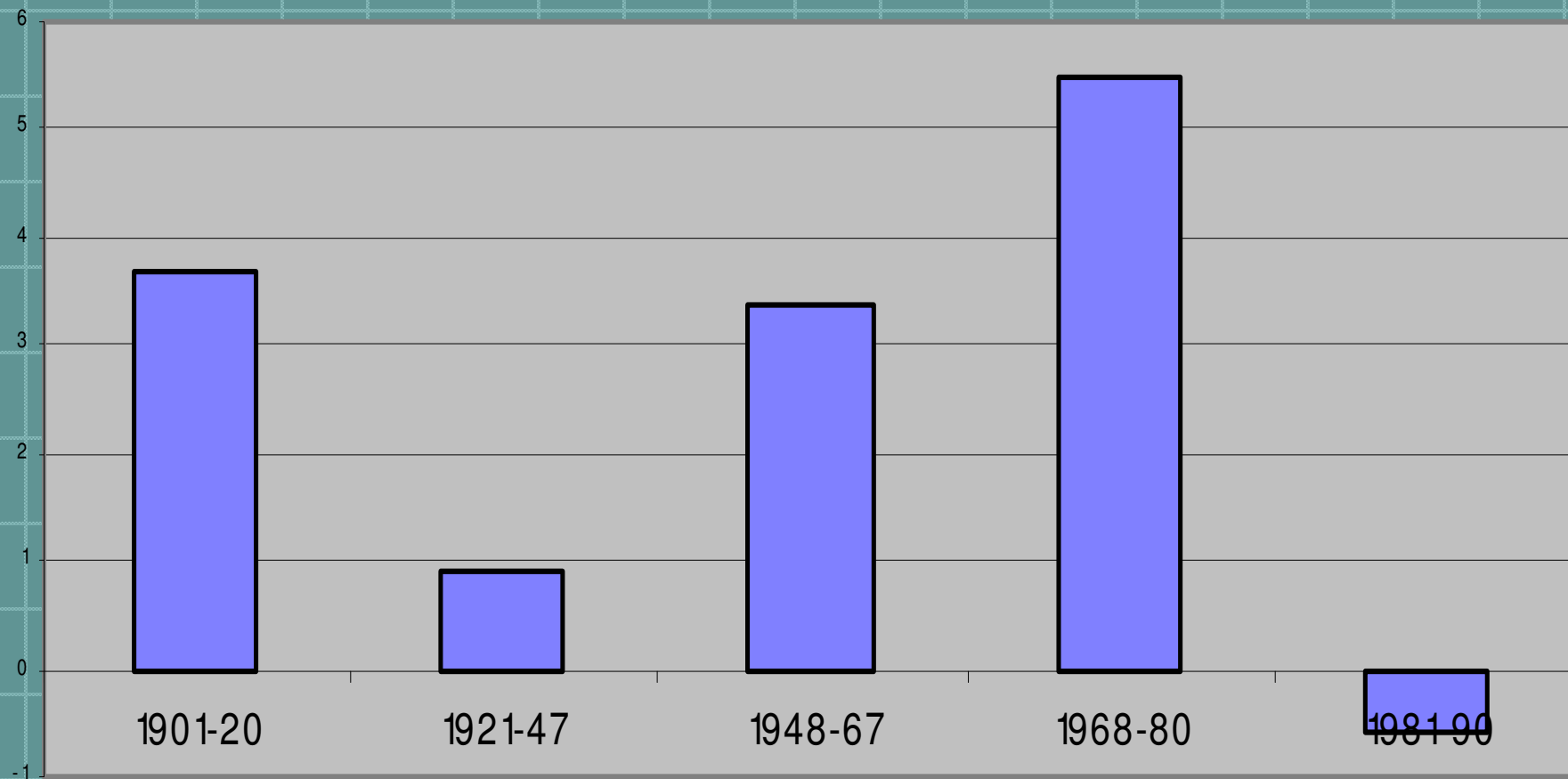
Argentina Productivity Growth

Ave. Annual %



Brazil Productivity Growth

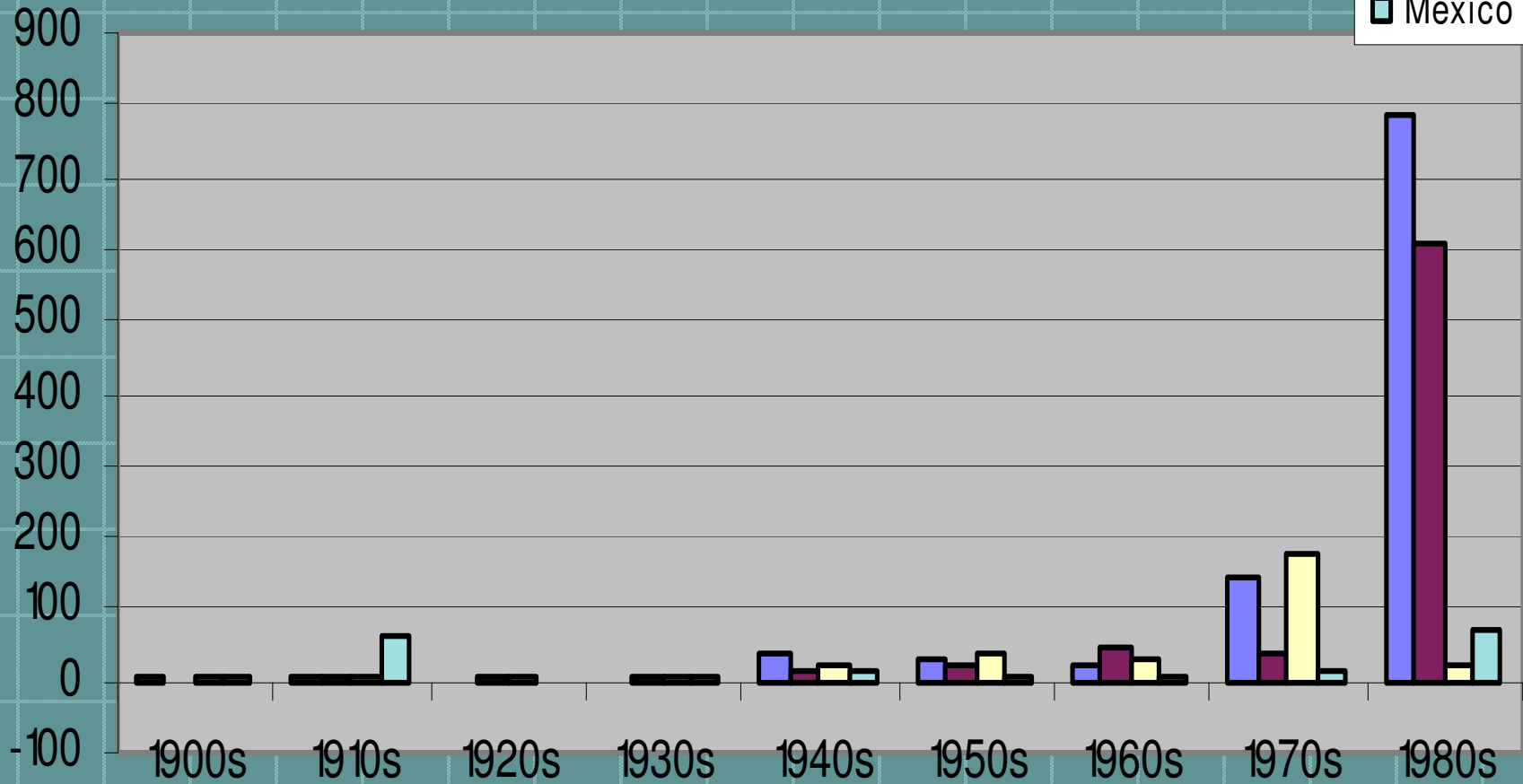
Average Annual %



Inflation

Average Annual % Change in CPI

- Argentina
- Brazil
- Chile
- Mexico



Objections and Answers

- ◆ Industrialization is not needed &/or Ag productivity was also key- agree w/latter
- ◆ SOEs are inefficient nodes of corruption-
 - ◆ a- no one else to do this (unless FDI)
 - ◆ b- notable successes- Petrobras- therefore we need a more nuanced model of public mgt. of SOEs
- ◆ No attention to Income, T redistribution or Integration
 - ◆ These were part of the model but ignored in practice
- ◆ ISI linked to bur'c authoritarian govts- inherently non-democratic- some truth, but not necessary
- ◆ Monetary, BOP crises were inevitable- theory of inflation off, but also lack of Xs (EOI), attn. to linkages/ag needed

Discussion

*Was ISI a victim of changing international/domestic conditions? What conditions/changes? What if 1 or more of those conditions did not happen?

*Did ISI need more time or could it have been fixed?