The Post-War Latin American Economies: the End of the Long Boom *

After a prolonged period of expansion, characterized by profound economic and social changes, the Latin American economies began the eighties with an increasingly poor performance. The aim of this paper is to give a picture of the region's development in the post-war period and highlight the structural problems involved. The analysis is based on a statistical and econometric study covering the 10 major countries (Argentina, Bolivia, Brasil, Colombia, Chile, Ecuador, Mexico, Peru, Uruguay and Venezuela) which accounted for 95% of the region's GDP in the middle of the seventies. Particular countries such as Mexico have also been examined as regards certain aspects.

I. The Overall Development

1. Between 1950 and 1983, the Latin American region as a whole achieved a growth rate for output of 5% (annual average) which was greater than the world total (4.3%) and also than that of the developed (4.3%) and developing (4.6%) countries. Latin America was in fact only outstripped by the socialist (6.4%) and the Asian (7.1%) countries as regards the growth rate.[1]

The effects of the world crisis were strongly felt in the region, but neither directly nor immediately. The regional product, which had

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[1] However, due to the rapid increase of the region's population, *per capita* income growth was below the world average and that of the developed countries; but it was better than that of the rest of the developing countries.

grown at a rate of 5.7% between 1950 and 1974, rose less rapidly between 1975 and 1980 (5.3%); but, after 1980 there was a drastic downward swing. In 1980, regional output only grew by 1.5% and, in 8 countries out of a total of 19, output fell. In 1982, total regional output declined (–0.9%) for the first time since the thirties. In 1983 another fall was registered (–3.3%), and 19 countries reported a contraction. Estimates for 1984 suggest a growth rate of 2.6% for the region as a whole.

On the other hand, long-run changes have been taking place in the relative importance of the countries in the region. The largest and most recently industrialized ones — Brazil and Mexico — grew quickly and increased their share in the region's GDP. But Argentina, Chile and Uruguay, which started to industrialize earlier, stagnated.

2. During the post-war period, the Latin American region went through an intense process of modernization An important feature of this modernization process was the merging of various units of production which were thus able to maximize financial resources and widen the scope of their investment fields. This development went hand in hand with "horizontal" concentration and with a strengthening of the links between productive and financial (especially bank) capital, the banks acting as a co-ordinating centre. This expansion of "financial capital" appears to have taken place side by side in some cases (eg. in Mexico and Chile), with a reduction of state intervention in the financing of private investment, or at least of investment in the industrial sector.

On the other hand, there was growth in size and technological complexity in the leading firms. In the most developed countries of the region the larger firms are now organized on a modern basis. In some sectors, they are able to compete in world markets.

Furthermore, there are stronger and broader links between national and international capital mainly because of the increased inflow of foreign capital and technology into industry. The presence of foreign capital has made itself increasingly felt. However, the (scant) empirical data available suggest that, at least in the more developed countries (Brazil and Mexico), the biggest national private groups have strengthened their participation in the economy as a whole, as well as in certain strategic sectors.[2]

[2] For Mexico see E. JACOBS (1981); for Brazil, R. GONCLAVES (1983). For a detailed explanation of this point see LILIA DOMINGUEZ (1984).

The big firms coexist with a host of small ones and with handicraft workshops. Thus there are large differentials in labour productivity in the industrial sector — a phenomenon usually called "structural heterogeneity". This partly explains the marked inequality in income distribution. Other important factors are high unemployment and low wages. Besides, resources are highly concentrated, and economic growth has not significantly altered distribution patterns.[3]

Both public and private sector play important roles. The Latin American model is that of a "mixed economy". The State has extensive powers to intervene, both as regards the productive structure and the level and growth rate of demand, through its role in guaranteeing the regulation of economic affairs (except for Chile and Uruguay from the military coups onwards, and, until recently, Argentina). The State is backed by a very wealthy and powerful entrepreneurial class. The Latin American entrepreneur, even though he has various international links and may be classed as being *dependent*, generally derives most of his profit from production within the country; i.e. he produces essentially for the domestic market.

Relations between the State and the private sector are not the same for all countries and have not been static over time. The framework of the "mixed economy" has been constantly adapted in terms of the different strategies implemented by the governments, which respond to the problems posed by increasingly complex national and international economic structure. All in all, the State's roles as "leader" of the economy, far from hampering private capital's take-off, has encouraged it.

3. As regards the quantitative aspects of growth, Table 1,[4] shows the main growth indicators for selected Latin American countries. Figures include income *per capita* (y) for 1950 and 1984; the annual average growth rate of (total) output (r) between 1950-1984; the rate of fixed gross investment in relation to GDP (i) for the period 1950-1977; the growth rate of employment (B) between 1950 and 1980; the growth rate of labour productivity (α); the rate of open unemployment (Ut) for 1950 and 1980, and the rate of total subutilization for these same

[3] A study of the Mexican case shows that between 1963 and 1977, despite the fact that total output grew sharply and wages-share in the value added increased, the inequality in income distribution decreased only slightly. (J. LOPEZ 1983).

[4] See tables at the end of the text. Some of the figures used are not too reliable. The results of the econometric exercises are therefore subject to reservation.

years (Us). The latter figure includes both open and "equivalent" unemployment, and is estimated on the basis of figures on underemployment as a proportion of open unemployment (PREALC, 1981).

Table 2 refers to the main component of aggregate demand as a proportion of GDP. Thus, we consider private consumption (cp), public consumption (cg), total investment (i), exports (x) and imports (m). Government expenditure (gg) in 1960 and 1976 (or the most recent figure available) is also shown as a proportion of GDP.

4. The evolution of demand, shows no strong systematic tendencies in the behaviour of its components. However, there was a fall both in the share of private consumption and in that of exports in relation to GDP (6 countries). There were increases in the share of public consumption (8 countries), government expenditure (7 countries) and total investment (6 countries). These changes are only moderate, except for public spending, which indicates that all the components of global demand contributed more or less equally to the widening of the domestic market.

The factors which explain the dynamics of the different components of final demand in Latin America were much the same as those in Europe during the postwar period.[5] The development of private consumption closely followed that of total wages. Those countries in which private consumption grew more quickly (or slowly) were also those where wages grew more quickly (or slowly). The growth rate of private consumption was partly stimulated by the introduction of new commodities (especially durable consumer goods) and by the expansion of personal credit, so that private consumption favoured the purchase of durable consumer goods, first as imports and then as goods produced domestically.

Investment also grew more (less) strongly in those countries where output grew more (less) sharply. Among the main reasons for its growth are increased profits, along with the elasticity of public and private financing.[6] An additional factor, whose effect is much more difficult

[5] Obviously the consequences of following a somewhat similar path were quite different in both continents.

[6] There are few studies on the determining factors for private investment in the region. An econometric study for Mexico for 1960-1980 shows a fairly close relationship between operating surplus, with a one-year lag, as a proxy for profits, and gross private investment (JULIO LÓPEZ, 1982). Another econometric study for Venezuela points out the importance of credit in the behaviour of private investment between 1968 and 1980 (R. HAUSMANN and G. MARQUEZ, 1983).

to measure, seems to have been the stimulus arising from technological progress — and the technological gap with the industrial countries.

Public spending on consumption and investment tended to grow more rapidly than output. In this sense, the Latin American experience is similar to that of the advanced countries — the difference being that, in the former, the growth in the importance of public spending is not so closely associated with the State's management of demand. Rather, its expansion was related to more structural policies, aimed at creating basic infrastructure and furthering investment in "strategic" sectors, as well as satisfying (insufficiently and unequally) collective consumption needs.

The increase in demand contributed to a greater domestic supply due to the expansion of the available means of production and the increase of the employed labour force and the rise in its productivity. It can be seen (Table 1) that in all countries the expansion of productivity made a greater contribution than increased employment to the total growth of output. (This "intensive" growth is also typical of the evolution of the developed economies, at least from 1870 to the present time: Maddison, 1982.) The (simple) average annual growth rate of labour productivity in the 10 countries considered was 2.7%, which was slower than that in the industrialized countries in the same period (4.1%); but was higher than productivity trends in previous phases of capitalist development.[7]

The relationship between the rate of investment and the growth rate of output at a regional level seems at first sight paradoxical, and in a certain sense running counter to the "classical" theory of development, which states that, the greater the investment ratio, the greater the growth rate of output.[8] In reality, in Latin America there is not statistically significant association between the investment coefficient and the growth rate of output.[9] Those countries that grew faster were not

[7] For example from 1870 to 1913 and from 1913 to 1950, productivity grew at an annual rate of 1.6% and 1.8% in capitalist countries which today are industrialized (MADDISON, 1982).

[8] This proposition has been recently emphasized by A.K. SEN (1983) for whom it constitutes a corner-stone of development economics.

[9] Various econometric tests were carried out to measure the association between the growth rate of output (dependent variable) and the investment rate (independent variable). In a cross-section analysis for the 10 larger countries, no association whatsoever was found for the years 1950-1980. (In the study, the total period was considered as well as the 6 five-year periods, giving negative results in every case.) Another econometric time-series test (with different lags for the gross investment coefficient) for each of the 10 most important countries gave similar results. The

necessarily those which invested a greater share of their output; furthermore, the years of faster growth of output for each individual country were not necessarily those in which the investment coefficient was highest.

Obviously a high investment coefficient is a *necessary* but not a *sufficient* condition for output to grow quickly. Since Harrod's classic article (1939), we know that the stability of the capital-output ratio (a condition for a close association between the investment coefficient and the growth rate of output) depends largely on the economy being on the path of "guaranteed" growth. That is, additional productive capacity which results from investment must necessarily be utilized at normal levels owing to the increase in demand associated with the new investment. This condition is only haphazardly fulfilled in a capitalist economy. In the case of the Latin American economies, this lack of correlation between the investment coefficient and the growth rate of output is therefore to be explained *not* by technical changes in the capital-output ratio, but by the lack of correspondence between the expansion of capacity and the increase in demand, both at a national level and for each of its branches.

5. A negative feature in the post-war development of these economies is the high level of open and hidden unemployment. The importance of this problem is not evident at first sight. Indeed, the figures on open unemployment for 1980 show that this only affected 3.9% of the economically active population (see Table 1). This rate could be regarded as relatively "normal" in comparison with the figure for other coutries (e.g. industrialized countries, where the rate of average open unemployment was 2.3% in the years 1970-71, and 5% for 1979-80 — A. Maddison 1982). However, a more thorough study of the problem shows that the issue of Latin American unemployment is much more serious.

Firstly, as regards *hidden* or underemployment, there is an obvious difference between the region and the developed economies. The estimates in Table 1 indicate that, in the region, the total rate of

Mexican economy was disaggregated into 12 sectors, and, for each one, the gross investment coefficient (with a time-lag) was associated with the growth rate of output. The association was found to be non-significant in each case.

sub-utilization is 19.9% of the E.A.P., i.e. it was five times the rate of *open* unemployment. Various studies on particular countries confirm the implications of Table 1. In the Mexican "urban" sector, the ratio of subemployment (open unemployment plus hidden unemployment plus those working 14 hours or less) to the economically active population, was 11% in 1978; in the countryside open unemployment was 11%, and hidden unemployment 58%, so that the rate of sub-employment rose dramatically to 69%.[10]

Moreover, the figures on unemployment in Table 1 are in terms of the E.A.P., but that category is abnormally small as a proportion of the total population. Again, the rate of participation in Mexico was 27.7%, whereas in the developed countries the rate is much higher.[11] Obviously, the fact that the Latin American population is relatively young accounts for part of the difference.[12] Cultural and social factors, e.g. the restricted extent of women's wage labour also must be borne in mind. Still another reason, perhaps more important, for such small rates of participation is the reduced demand for labor. Given the structural lack of employment openings, part of the working-age population, which would be willing to work, does not seek employment. The opposite trend is found when the demand for labor is high.[13]

Latin American employment figures show that even though the region's rate of open unemployment grew slightly (from 3.4% to 3.9%), the rate of sub-utilization fell from 22.9% of the E.A.P. to 19.9% between 1950 and 1980. This is a very small reduction and no correlation was noted between the growth rate of the E.A.P. and the development of sub-employment by country. In other words, sub-employment did not fall faster in those countries where the supply of labour grew more slowly. A correlation may be noted between the

[10] The figures for the urban sector were taken from CARLOS MÁRQUEZ (1980), those on the rural sector from BANRURAL (1979).

[11] The rate of participation in Spain was 36.5% (1970); in Japan 44.0% (1965); in France 40.9% (1968); in Great Britain 45.8% (1966); and in the U.S.A. 42.0% (1969). Source: P. SYLOS LABÍNI (1978).

[12] In 1977, the population of working age in Mexico was 51%.

[13] This hypothesis is supported by a study of the Mexican labour market: "the adjustment which takes place when changes in the demand for labour occur, does not cause the rate of unemployment to change... but it is carried out by changes in participation... which in this case represents the supply of labour. In other words, the supply of labour is not independent of demand." (C. MÁRQUEZ, 1980).

growth rate of output and that of employment B;[14] but total sub-employment did not fall in inverse proportion to the growth of output.

This lack of statistical correlation between the rate of sub-employment and the growth rate of output is possibly explained by two phenomena. Firstly, the association between the movements in the demand for labour and the changes in a) the participation rate, and b) in the labour supply. On the other hand, the cross-section analysis for the 10 countries considered shows that the faster the growth rate of output, the faster is that of labour productivity.[15]

However, at a more structural level, the high rates of unemployment are due above all to the extremely high rate of demographic expansion. But one should also consider some characteristics of the Latin American economies' growth processes. The key factor here is not the slow growth of output. All in all, the growth rates have not been so small, and, even in those countries which have experienced a fast growth of output, the high rates of sub-utilization have still been maintained. It would seem more relevant to consider the following features: a) the shift of a part of the population from the rural to the urban areas; b) the process of "modernization" of demand; c) the use of productive techniques in all the sectors of the economy which tend to be capital-intensive and consequently absorb a reduced amount of labour; and d) finally, the pattern of income distribution which is highly concentrated, and hence demands little labour for the production of the commodities involved.

6. Next come the macroeconomic issues related to technical progress in Latin America. Since this factor is almost impossible to measure, research commonly uses the growth rate in labour productivity as a proxy. There are serious theoretical objections to this method, but there seems to be no other simple alternative suitable for a macroeconomic analysis.

Table 3 gives some information concerning the development of labour productivity in various regions. For the developed capitalist

[14] The equation estimated with figures from Table 1 gave the following results:

$$B = 0.09 + 0.42r$$
$$(0.5) \quad (11.9) \quad \bar{R}^2 = 0.95.$$

The numbers between brackets refer to the value of the test of the parameter. $\bar{R}^2$ is the coefficient of the determination (adjusted).

[15] $\alpha = 0.1 + 56r$; $\bar{R}^2 = 0.97$.
$(0.5) \quad (16.5)$

economies (the only ones for which information is available over a long period) there is a sharp increase in the postwar growth rate of labour productivity with a slight fall in recent years, both in agriculture and in industry. This does not alter the fact that productivity growth is still higher than before the war.

In Latin America productivity growth has not tended to slow down in the recent period (although the figures are none too reliable). However, in the Mexican economy the annual average growth of labour productivity fell between 1970 and 1980; a similar slowdown occurred in 10 out of the 12 branches, and also in industry.

As regards the main sectors of the economy, Latin America has not been able to raise the level of labour productivity in agriculture at a faster rate than in industry, as has been the case in the developed countries.

What is clear is the close correlation between the growth rate of output and the growth rate of productivity. As has already been pointed out, for Latin America as a whole, labour productivity grows faster in those countries where output growth is rapid. A sectoral analysis for Mexico shows that, both for the economy as a whole and for 7 out of the 12 sectors into which it was divided, a close correlation over time was observed between the growth rate of output (as an independent variable) and the growth rate of labour productivity (a dependent variable).[16] Similar results were obtained in pioneer studies by N. Kaldor (1966 and 1967) and by later researchers.[17]

The constant links between the growth of output and that of productivity have led economists to identify it as the "Verdoorn Law".[18] Its theoretical interpretation has emphasized two factors. Firtly, an increased growth of output and of markets stimulates the division of labour and the economies of scale which are associated with this expansion. In other words, the endogenous nature of technological progress is underlined, and it is argued that its development would be directly associated with market growth. Secondly, it is pointed out that the faster the growth of output, the more extensively is the labour force

[16] According to the values estimated for the economy as a whole ($\alpha = -0.71 + 0.62r$), when GDP grows at the annual rate greater than 1.15%, output per worker increases ($\alpha > 0$). For a growth rate of GDP of 6% p.a., labour productivity should grow at 3.0% p.a. and employment at 3.0% p.a. For rates of expansion of GDP greater than 6%, growth would be intensive and extensive for those cases in which $r < 6.0\%$ p.a.

[17] For an up-to date bibliography on the subject, see *The Journal of Post-Keynesian Economics* (Volume V, No. 3, 1983).

[18] See, J.P. VERDOORN (1949), the first author to formulate it.

shifted from those activities with low productivity (and wages) to those where productivity is higher. As a result, average labour productivity increases.

While the second argument is convincing, the first one (the association between output growth and technological progress) seems to be more controversial. Indeed, it is one thing to stress the endogenous nature of technological progress in terms of the capitalist system as a whole and in a long-term perspective, and another to postulate that for each particular country the generation or supply of this technological progress, and the evolution of labour productivity in the new plants, respond significantly, without a considerable time lag, to market demand. It is true that, according to studies on the U.S.A., many industries show a close correlation between investment and the invention of new means of production designed to supply it.[19] But this association at a sectoral level does not necessarily hold for the national economy, and even less so for those countries not in the technological vanguard. On the other hand, the correlation between the dynamics of output and that of productivity also holds for the semi-industrialized countries where the local creation of any new technology constitutes only a very small share of total supply.

In conclusion, the correlation between growth in output and in productivity seems to be confirmed as an empirical fact, at least as regards the industrial sector. And, in our opinion, it is more fully explained by the shift of labour than by the speeding-up of technological progress and of labour productivity in the new plants as a result of the expansion of the market.

7. As regards the main sectors of production, the primary sector (agriculture, sylviculture, hunting and fishing) declined from 19.8% to 11.7% of GDP between 1950 and 1978 for Latin America as a whole, whereas the secondary sector (mining, oil, petrochemicals, manufactures, electricity and construction) showed considerable growth (from 29.4% to 36.7%).

A change in the importance of types of manufacture has been taking place in favour of durable consumer goods. However, this development has not helped to integrate the productive structure or to free the economy from technological dependence on foreign sources.

[19] Cf. especially J. SCHMOOKLER (1962).

Thus, the national supply of capital goods still represents only a minor share of total investment (even in the more highly industrialized countries).[20]

In Latin America, as in other regions of the world, there is a close statistical association between the growth rate of total output and that of manufacturing output.[21] It seems possible therefore to credit industry with the leading role in the process. This role seems to be due to the importance of the links which articulate it with other sectors. Indeed "backward" and "forward" links are established which stimulate the development of the other branches.

But the long-term growth process has also been conditioned by the long-term expansion of other sectors which could be classified as "growth-inhibiting" ones. The most important of these seem to be the agricultural and export sectors. The former because of its role as a supplier of food and of the principal intermediate inputs for light industries (which are still dominant in manufacturing); the latter as a principal source of foreign exchange and thus as a principal source of foreign exchange.[22]

We can thus suggest that long-term growth of the Latin American economies is essentially limited by supply (unlike the developed economies which are limited by demand). However, the main supply limitation does not appear to be related to capital equipment — needed to give rise to wide margins of excess capacity. The problem lies rather in the supply of agricultural goods and imports. When the former's growth rate is insufficient, it is always possible to rely on imports; but, when both are scarce, growth is hampered.

Indeed, when the growth of demand was greater than supply's capacity to supply essential goods, such as agricultural ones, a rise in their prices usually occurred. This caused an acceleration in inflation,

[20] For a comprehensive analysis of Latin American industrialization and its problems, see F. FAJNZYLBER (1983).

[21] For the region as a whole (cross-section analysis), the adjusted coefficient of determination ($\bar{R}^2$) reaches a value of 0.84 in the period from 1950 to 1978. When the 10 largest countries are analyzed, this coefficient has a value of 0.93. For each one of these countries, a time series analysis shows that the close association is maintained varying from a value of 0.93 (Argentina) to 0.27 (Ecuador). These results agree with those obtained by KALDOR (1966) in his pioneering work and with later studies on developed and semi-industrialized countries. (J. ROS, 1982).

[22] Among the 10 largest countries (cross section analysis) a fairly close statistical association is noted between the growth rate of output (r) as a dependent variable and the growth rate of agricultural production (Ȧ) and the growth rate of export purchasing power ($\dot{X}$) as independent variables. For the period 1950-1978, the econometric test results are:

$$r = -0.04 + 1.21\,\dot{A} + 0.28\,\dot{X};\ \bar{R}^2 = 0.88$$
$$(0.06) \quad (7.1) \quad (2.8)$$

and/or a reduction in the wage earner's purchasing power and in the share of wages in value added. In addition to its negative political effect, the latter caused a fall in the demand for manufactured products and in effective demand, thus weakening the growth of output. Furthermore, the speeding-up of inflation usually forced the State to take restrictive measures.

8. The growth of the Latin American economies has gone hand in hand with high rates of inflation. Table 4 shows the price evolution in ten major countries during four post-war periods. It will be seen that inflation has always been permanently high, and has accelerated during the last period. Very few countries have had less than two-digit inflation rates — only five in the first and second periods, one in the third and none in the last.

It is not possible to attribute to a single cause Latin American inflation, especially since one can rarely distinguish between the *originating* causes and those which *propagate* it.[23]

The acceleration of inflation in the region during the last few years can be readily understood in the light of the arguments developed by the "structuralist school". In Argentina, Bolivia and Brazil, inflation has been built into the economic system through the generalization of inflationary expectations and the price indexation of all the main economic variables.

In the other countries, this acceleration was originated, broadly speaking, by external factors; i.e., by the increase in international interest rates (both nominal and real), and by the balance of payments deficits. Indeed, the former factor raised business fixed costs, thus stimulating increases in firms' (gross) profit margins. These increases in turn led in most cases to devaluations, which had both an immediate impact on the general price index, and an indirect one through their effects upon financial and unit prime costs.

9. Even though the specific peculiarities and economic policy measures of the different countries make it difficult to generalise, overall it can be said that during the post-war period effective demand grew

[23] The distinction between "original causes" and "propagating mechanisms" has been put forward by the "Latin American structuralist school". See the classic article by O. SUNKEL (1958).

rapidly. The impulse came especially from capital accumulation and government expenditure, but private consumption followed closely. This increase in aggregate demand corresponded to a domestic supply which had a response elasticity due to a) the growth of the means of production resulting from investment; b) the development of the infrastructure provided by the State; c) the increase in cultivated land; and d) the expansion of employment and in labour productivity. Added to this was the expanded import capacity — enhanced by the growth of exports and the inflow of foreign savings.

In this context, we should stress the complementary roles played by private investment and public spending in the process of global growth. The former simultaneously expanded productive capacities and effective demand; this allowed the growing output resulting from the additional capacity to be sold, and avoided excessive margins of idle productive capacity. Public investment, on the other hand, unravelled the knots in the growth process; it took on the more onerous investments which the private sector was incapable of shouldering (specially for certains inputs), thus making the continuous development of private investment possible, and at the same time helping the private sector and its profits to grow. Government consumption played a similar role by increasing, directly and indirectly (through the wages paid), the market for private production.

The sustained public spending was based on a strategic vision of capitalist development. The State furnished the private entrepreneur with multiple benefits, which took the form of an economic legislation guaranteeing the smooth functioning of the capitalist economic and social system, and which in general was favorable to it. The State also offered new openings for profitable investment, sold inputs at low prices and so on. Furthermore, it was the most autonomous and dynamically stable agent for market expansion and private profits. If, at times, for the financing of its expenditure, the State had to rely on loans from the private banks, this did not significantly restrict the availability of credit to the private sector of the economy: instead of *crowding out* private spending, public expenditure *reinforced* it.

10. Thus, during the post-war period the Latin American economies long followed a path that, even though marked by imbalances and contradictions, could be defined as one of "dynamic equilibrium". The growth of private investment and capitalist consumption in turn led to

increased profits and created expectations of future profit increases, which stimulated new investment decisions. On the other hand, the marked rise in public investment and consumption made possible a compensation and reversal of the downward cycles or decreasing trends of private investment.

The persistence of this "dynamic equilibrium" was based on two essential and interrelated conditions. Firstly, it was necessary both to strengthen the general political climate and to define "the rules of the game" for the private entrepreneurs. Secondly, an adequate supply elasticity was called for, especially in those sectors with less short-term response elasticity to demand — such as the agricultural and the external ones — so as to ensure that the increase in demand would be met through greater domestic production or increased imports.

A distinction must be made here between the Southern Cone countries (Argentina, Chile and Uruguay) and the others. This distinction is rather arbitrary, but it underlines "ideal patterns" of behaviour.

The Southern Cone countries' output growth rate was far below the average figure for the 10 countries considered in this study: 2.3% p.a. against 4.8%. This seems to be related to the points mentioned above. Indeed, the Southern Cone countries are fairly homogeneous. Their supply capacity was subject to limitations: in Argentina, Chile and Uruguay, the lowest expansion rates were registered for both agricultural production and for export purchasing power. Secondly, given that industrialization began earlier in these countries, the "easy stage" of light industry came to an end before it did in the others. Lastly, the larger role played by wage-earners linked to industry went hand in hand with a sharper political conflict, which to some extent detracted from "the climate of confidence" required by the mixed economy system. Since the easy stage of import-substitution industrialization was over, the maintenance of high growth-rates of output now necessitated the transition to a more advanced stage of industrialization. The more complex nature of investment at this stage called for even more intense State intervention and/or more aggressive investment by the private entrepreneurs. However the State's capacity to provide the investments needed was limited because of both the weak supply capacity and the pressures arising from: a) the collective consumption demands of the masses, which were more difficult to satisfy because of limitations of supply; and b) from the opposition of the ruling classes to increased

State intervention in the economy. As regards private investment, its growth proved inadequate owing both to the greater social-political conflicts and to the difficulties related to the end of the first stages of industrialization. Accordingly, in this group of countries there was weak economic growth earlier than in those countries which began their industrialization later. Nor did the search for alternative development models prosper, and the right-wing military coups created further difficulties for the economy. They only demonstrated that it is not enough to create a political climate acceptable to the ruling classes in order to stimulate the growth of private investment.[24]

In the other countries growth was maintained at higher rates and there was no serious stagnation. The slowing down of their expansion was closely related to the worsening of external conditions, and in particular to the crisis which affected all countries in the first years of the present decade.

II. The External Sector in Latin America's Development

11. As has been the case for almost all the regions of the world during the post-war period, foreign trade in Latin America has tended to grow faster than output. Indeed, during the 1950-1977 period, while GDP grew at a yearly rate of 5.5%, exports and imports expanded at 8.3% and 9.2% respectively. However, the share of Latin America in world trade has been declining. While, in 1950, its weight in world exports and imports amounted to 10.8% and 9.1% respectively, in 1977 the figures had fallen to 5.6% and 6.1%.

The lag may be due to three factors: a) exports might have consisted mainly of commodities world demand for which grew slowly; b) the markets could have been countries or regions whose imports grew slowly; c) there may have been a loss of competiveness in the products exported. In order to ascertain the role of these factors, we have utilized "constant market-share analysis".[25]

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[24] See D.A. COLLIER's book (1979) and the bibliography quoted therein for an economic-social view of this phenomenon. For an analysis of the economic policies and functioning of the Southern Cone countries, see A. FOXLEY's book (1982).

[25] See EDWARD E. LEAMER and ROBERT M. STERN (1970). For the purpose of this exercise, four groups of commodities were distinguished: Food, drinks and tobacco; raw materials; oil; and manufactu-res. Nine markets were also considered; the United States of America; Japan; Western

Total exports from Latin America between 1961 and 1979 grew by 72.49 billion US dollars. If the region had maintained its share of world exports, this increase would have been 107.87 billion, that is, 40% higher. On the other hand, the commodity structure of Latin American exports and the distribution of these exports by market had a positive impact on its export performance: Latin America specialized in the export of commodities where the demand grew at a relatively fast rate, and it also was mainly linked with markets which expanded relatively quickly. The region's fundamental problem, therefore, lay in its loss of competitiveness.

12. The pattern of Latin American exports has been progressively changing in the post-war period. Even though raw materials are still the main items, manufactured goods have been increasing. These represented 3.1% of total export in 1955 and reached 13.6% in 1975. Furthermore, between these dates, manufactured exports grew more rapidly than manufactured imports, and also more rapidly than industrial production (16.4%, 4.3% and 7.2% p.a. respectively, according to ECLA, 1981). On the other hand, the share of raw materials (excluding oil) fell from 67% to 47% of total exports (ECLA, 1979). Exports of more complex manufactured goods grew more rapidly than the average, especially machinery and transport equipment, whose yearly average rate of increase was 25% — with an elasticity of growth in relation to output of 2.1 — which meant that its share in total manufactured exports rose from 6.6% in 1955 to 27.6% in 1975.

To some extent, this high rate of growth in manufactured exports is associated with an increase in the exchange of manufactured goods within the Latin American region. Manufactured exports to the region increased their share in total exports from 24% to 37% between 1955 and 1975. There is also an increase in regional manufactured imports due to inter-Latin American trade from 1.4% in 1955 to 8.2% in 1975 — even though the proportion is still slight. Lastly, in inter-Latin American manufacturing trade, machinery and transport equipment exports increased their share significantly from 17% of total manufactures exported in 1965 to 39% in 1975. Thus it would appear that the region has played a key role as regards manufactured exports, acting as a type of first rung on the ladder.

Europe; other developed countries; Latin America; Africa; the Middle East; Asia; and the Centrally Planned Economies. The basic figures were taken from: *Cambridge Economic Policy Review*, December 1980. The detailed results are available on request.

On this point, however, some qualifications should be mentioned. First, it should be remembered that trade within the region in still a small proportion of total foreign trade. In 1979, exports to Latin American countries amounted to only 21% of the region's total; while only 18% of the region's imports came from Latin American countries. As regards manufacturing trade, only 8.2% of the imports came from within the region. Secondly, only three countries — Argentina, Brazil and Mexico — account for the bulk of manufactured regional exports: in 1975, they represented 68% of total manufactured exports and 89% of metal, machinery and transport equipment exports. Lastly, in spite of the buoyancy of its manufactured exports, the region is still mainly an exporter of raw materials and an importer of manufactured goods.

Indeed, while the developed economies cover an external deficit of raw materials and oil by manufactured exports, Latin America does the opposite. For the same reason, the structure of its transaction of manufactured goods is far more "asymmetrical" than in the developed countries, for which the import and export coefficients of the manufacturing sector are more or less similar (U.S.A.), or the former are lower than the latter. In Latin America, the coefficient of imports is approximately five times greater than that of exports (0.36 and 0.07 respectively in 1975).

This "asymmetry" of Latin American manufacturing trade is also present *within* this sector. This emerges clearly from the statistics. For example, in the case of non-electrical machinery, the ratio of the value of exports to that of imports was 2.4 in the U.S.A. and barely 0.1 in Latin America; for electrical machinery, the ratio in Japan was 7.1, while in Latin America it was 0.2; in transport equipment, the Japanese ratio was 17.4 and the Latin American figure was 0.2; with chemical products, the figure was 2.2 for the United States, while for Latin America it was only 0.2 (average figures for 1972-74 according to ECLA, 1979).

This "asymmetry" in manufacturing trade, and the reduced share of the imports from Latin American countries within total imports, have important implications as regards certain relationships between the growth process and the external sector. If we consider that the international trade of manufacturing goods grows faster than the trade in raw materials — as has been the case, excluding oil — and if we assume that Latin America's share of total world exports and imports (both manufacturing and non-manufacturing) remains unchanged, a persistent tendency towards a trade deficit will appear, which will have

a negative impact upon the overall growth process. On the other hand, the reduced share of Latin American imports within the region's total imports makes for a weakening of the feedback of the growth process. This is so because a very large part of the additional demand for import "leaks" towards other regions. This gives rise to a marked contrast with the European region, which is able to make its economic expansion more "endogenous", with greater feedback effects.

13. Table 5 gives some information of foreign transactions and growth in the largest Latin American countries during the post-war period. We consider the growth rates of GDP(r), of the purchasing power of exports ($\dot{X}$) and that of imports ($\dot{M}$). Two sub-periods are distinguished — 1950-70, and 1970-78. From an overall point of view, in the second subperiod there is an increase in the growth rate of the purchasing power of exports as well as of imports. Nevertheless, the product growth rate decreases. To some extent, this is explained by the evolution of the import and foreign finance coefficients. Indeed, there is a certain stagnation of the import substitution process, while at the same time the growth rate of the foreign finance coefficient decreases.[26]

Several authors have pointed out the apparent association between the evolution of exports, imports and output.[27] A comparative study of the 10 countries under consideration indicates that this association should be accepted with reserve. Indeed, in the first sub-period there is practically no association between the growth rate of a) output (r); and b) of the purchasing power of exports; or of c) imports. Those countries which grew at a faster (lower) rate were not necessarily those in which the purchasing power of exports or imports grew more (less).

An econometric analysis by country, for the seven larger Latin American countries for 1961-70 and 1971-80, confirms these results.[28] In the first of the sub-periods, there is in none of these countries an association between the growth rate of output and that of exports; and only in two of them (Argentina and Peru) is there any relation between the growth rate of imports and that of output. In the second sub-period, the situation changes. Those countries in which output grew more quickly were the ones where the purchasing power of exports, as well as

[26] We define the foreign finance coefficient as the ratio of imports to the purchasing power of exports.

[27] See especially N. KALDOR (1971); and A.P. THIRLWALL (1983).

[28] The detailed results are available on request.

total imports, tended to increase more rapidly. An analysis of individual countries also shows a somewhat different situation in the second period. Even though the non-association between growth of output and growth of exports persists, growth of output is now related to the growth of imports in 5 of the eight countries considered.

The association between the growth rate of output and that of the purchasing power of exports could be weakened for two reasons. Firstly, because it is possible to resort to foreign finance. Secondly, because the import coefficient can decrease. As regards the foreign finance coefficient, in the first sub-period it increases in 4 of the 10 countries considered, while, in the second one, 5 countries have recourse to this mechanism. Furthermore, those countries where the coefficient of foreign finance grew more quickly (slowly) in the first period were not necessarily the same as those in which the coefficient grew more slowly (quickly) in the second one. This suggests that the increase in the foreign debt has not given rise in the short run to restrictive economic policies in the countries considered.

In no one period is there a systematic regularity between the growth rate of output, on the one hand, and the evolution of the import coefficient and the coefficient of foreign finance (together or in isolation) on the other. However, especially during the first period, the import coefficient tended to grow faster (or to decrease more slowly) in those countries where the foreign finance coefficient rose more rapidly. The import coefficient decreased in six countries in the first period and in 5 in the second. However, in the first period, there is no significant association between the initial level of the import coefficient and its rate of change. Nevertheless, in the second period, there is a close, positive association: the coefficient tended to fall more slowly (or rise more rapidly) in those countries which, in 1970, had a high import coefficient.

This last result allows us to question the idea that the import coefficient tends to stabilize spontaneously after the "easy stage" of import substitution and when the coefficient is low. Our finding suggests that a more extensive substitution process depends more on economic policy decisions taken in each country than on general technical economic factors. This hypothesis is strengthened if we consider the positive association — already pointed out — between the import coefficient and the foreign finance coefficient. It would, therefore, seem that the recourse to foreign credit was an *alternative* to the substitution process in some countries of the region, and even tended to limit the widening of this process.

13. It has been frequently argued that an external imbalance sooner or later tends to generate an economic recession. Two reasons are advanced in this connection: a) government economic policies, which would tend to reduce demand in order to correct the trade deficit; and b) the refusal by the financial institutions, public and private, to continue guaranteeing credits to those countries already seriously in debt.

Now an analysis for the major countries of the region shows that the external imbalances actually stimulated the implementation of contractive economic policies. However, usually and until the situation became dramatic, the implementation of those policies occurred only after a time lag, and their adoption was much less systematic than would have been expected. Contractive economic policies were not in fact usually implemented in the case of *short run* imbalances.[29]

This lack of association between external imbalance and growth in the short run may be due to the particular situation in international financial markets from the mid-sixties until the end of the seventies. Indeed, during this period, the private financial markets expanded at a fast rate, and practically all countries had easy access to credit from private banks. This allowed the underdeveloped countries to be able to finance part of the growth of their imports with external resources. This resulted in a considerable increase of the backward economies' external debts, and especially in those of Latin America. Table 6 gives information on the 10 larger Latin American countries concerning debt servicing as a share of exports (DS/X) for 1970 and 1984, and the ratio between the outstanding debt and the annual export totals (DX/X) for 1984. Figures are also given for the average annual growth rate of output in the years 1982-83 (r_2), and this rate of growth is compared to the average figure for these countries in 1950-78 (r_1). The debt service as a share of exports increased from 14.5% to 37.3% in the countries considered (simple average). As a result of this enormous increase, with a debt service that on average absorbed more than a third of the foreign

[29] In order to test this hypothesis, a study was made of the seven larger Latin American countries, taking into account two sub-periods; 1962-71 and 1971-80. The growth rate of output (dependent variable) was correlated with the growth rate of exports and the growth rate of imports with a one-year lag (independent variables). On *a priori* grounds, it was expected that the growth of exports would have a positive impact and that of imports a negative one on the growth of output (after a lag). The results obtained disprove the hypothesis, at least in the period under consideration and for a relatively short time lag. In almost none of the countries, with the one exception of Venezuela between 1971 and 1980, could it be maintained that the external imbalance tended to cause a recession (in the short run).

exchange income from exports (and more than half in Bolivia and Argentina), the Latin American countries, from the beginning of the decade, found themselves in a situation of extreme "financial fragility".[30] An increase in the real interest rate, or a decrease in capital inflows, or a reduction in the export rates, could give rise to a significant imbalance between payments, due to previously contracted commitments, and income in foreign currency. This imbalance could only be corrected by sharply reducing imports, which would cause an internal crisis (unless there were a unilaterally proclaimed — or agreed — moratorium in foreign payments).

At the beginning of the eighties, the developments in the international economic situation led to the outbreak of the crisis. From 1978, the money interest rate began to increase. This, added to a worsening in the terms of trade for the Latin American economies (a fall of 33% between 1977 and 1983) caused an enormous rise in credit costs (in money and, above all, in real terms, that is, *measured in terms of exports' purchasing power*): in 1981 and 1982, the real interest rate which Latin America had to pay was approximately 24% annually (ECLA, 1983). Secondly, capital inflows contracted sharply. For Latin America as a whole, between 1973 and 1981, the inflow rose from 8.1 to 38 billion US dollars (an annual growth rate of 21%); in 1982 and 1983, it was 16.6 and 4.5 billion dollars respectively. Thirdly, the purchasing power of exports, which grew at an average annual rate of 10.4% between 1975 and 1980, decreased by 1.0% in 1981, 0.6% in 1982 and 0.1% in 1983. Meanwhile, income and interest payments, due to the effect of the accumulated debt, grew by 23% annually between 1973 and 1980, and by 38% between 1981 and 1982.

All this led to a sharp contraction of the available net finance in absolute terms. Between 1973 and 1981, available net finance reached the figure of 14.5 billion dollars on an annual average, which was 15.8% of exports. Between 1982 and 1983, it was negative; an annual average of –24.9 thousand million dollars.

Consequently the balance of payments constraint eventually made itself felt in the Latin American economies, after many years in which they were able to evade it through import substitution or by resorting to foreign finance. Given the high level of debt accumulated in all the countries considered, and in view of the "financial fragility" associated

[30] To use a very appropriate term coined by HYMAN MINSKY.

with it, the crisis had a tremendous impact. As is shown in Table 3, the average fall of output in the countries considered was 3.4% in 1982-83. In all of these 10 countries, the growth rate of output in 1982-83 was less than the average reached in the period 1950-78. In nine of these ten countries, the growth rate of output in the recent period was negative. Lastly, it is to be noted that a comparative analysis of these ten countries shows that the proportionate fall of output in the last two years (in absolute terms and/or in comparison with the average growth rate between 1950 and 1978) was not associated with the level reached in each of them by the relative rate of foreign indebtedness (DS/X or D/X), nor with the evolution of the foreign finance coefficient between 1970 and 1978. This leads us to think that the "financial fragility" was extremely high in each one of these economies, and that the differences within the group of countries as regards their "financial strength" were only marginal. Thus, faced with a sharp deterioration in the international situation, none of them was capable on its own of defending its levels of economic activity. The result would perhaps have been different if they had acted in unison to renegotiate their debts on more favorable terms.

III. Conclusions

In 1982 and 1983 the growth rate of total and *per capita* output in Latin America was negative — a phenomenon which had not occurred in the last three decades. The immediate cause of the crisis was external strangulation. However the crisis goes back to the growth pattern which the Latin American countries had been following for several decades.

This growth pattern has the following main features:

a) High external fragility — owing to the low degree of self-sufficiency of the economy's basic sectors. This is caused by the marked dependence of these sectors on imported inputs and capital goods.

b) High level of unemployment, caused by the low level of capitalist economic development and by consumer patterns of demand which encourage the production of "modern" goods, along with the dominant types of highly capital-intensive technologies.

c) Low productivity levels of labour in small and artisanal industry and peasant farms, which account for a large proportion of employment. The explanation of this situation lies in the objective problems faced by these forms of production, and in the lack of policies to lend them support, whereas indiscriminate encouragement is enjoyed by the large national and transnational monopolies.

d) A highly unequal income distribution pattern. This is accounted for by the intense concentration of resources in a few hands; by the importance of the small-enterprise sector, including artisans and peasants, in relation to total employment; by the high levels of unemployment and underemployment; and by the monopolies' capacity to set profit margins well above their costs.

e) Constant pressure towards urbanization and the growth of large cities. In turn, this is the result of the expulsion from the countryside of large masses of workers with few or no well-paid job opportunities in traditional and modern agricultural production, and with the virtual non-existent development of rural industry.

Even if there were to be a vigorous expansion in the developed countries, which would make possible a solution of the present problems of the foreign sector, economic growth in Latin America is possible only after an answer is found to these problems which underlie the present crisis. In Latin America structural reforms are more urgent than ever.

Mexico

JULIO LOPEZ G.

TABLE 1

LATIN AMERICA - SELECTED COUNTRIES GLOBAL GROWTH INDICATORS

	(1) y[a]		(2) r[b]	(3) i[c]	(4) B[d]	(5) α[e]	(6) U_t[f]		(7) U_s[g]	
	1950	1984	1950/84	1950/77	1950/80	1950/80	1950	1980	1950	1980
Argentina	817	1177	2.5	18.4	1.4	1.8	2.8	2.4	5.0	4.0
Bolivia	231	288	2.6	14.2	1.5	2.2	0.8	3.0	38.0	41.5
Brazil	233	809	6.2	23.4	2.8	4.4	3.4	2.9	23.6	19.9
Colombia	370	812	4.8	19.9	2.4	2.8	6.2	5.2	33.5	28.0
Chile	576	928	3.1	12.4	1.6	1.9	5.2	9.0	17.8	18.7
Ecuador	247	673	5.6	13.8	2.7	3.1	4.0	8.0	32.0	34.1
Mexico	486	1280	5.7	17.2	2.5	3.5	1.3	4.3	23.7	17.0
Peru	313	598	3.9	13.0	2.1	2.7	3.8	6.7	38.1	36.3
Uruguay	851	1195	1.4	13.4	0.8	0.9	6.0	6.0	11.3	12.6
Venezuela	653	1097	4.5	31.9	3.1	3.4	6.3	4.2	17.3	12.2
Latin America	396[h]	895[h]	4.9[h]	19.5[h]	2.4[j]	n.d.	3.4[j]	3.9[j]	22.9[j]	19.9[j]

Notes: (a) *Per capita* income in 1970 US $; (b) Rate of growth of GDP; (c) Gross investment ratio; (d) Estimated on the basis of figures for EAP; (e) (2) - (4); (f) Open unemployment (%); (g) Total subemployment ratio; (h) 19 countries; (j) 14 countries.

Sources: (1), (2), (3): ECLA; (4), (6), (7): PREALC (1981).

TABLE 2

LATIN AMERICA - SELECTED COUNTRIES EFFECTIVE DEMAND
(% OF GDP)

	cp[a]		cg[b]		i[c]		x[d]		m[e]		gg[f]	
	1950/51	1979/80	1950/51	1970/80	1950/51	1979/80	1950/51	1979/80	1950/51	1979/80	1960	1976
Argentina	71.49	67.54	14.76	12.02	15.27	22.91	12.01	11.19	13.53	13.66	16.01	19.1[h]
Bolivia	74.41	82.93	5.42	13.26	12.18	14.42	28.82	17.16	20.83	27.77	13.9	16.3[h]
Brazil	70.69	67.50	10.91	9.11	23.42	23.37	9.55	7.10	14.57	7.08	18.9	18.3
Colombia	72.69	71.88	8.91	10.36	21.33	18.77	15.22	13.69	18.15	14.70	7.7	9.6[j]
Chile	70.59	59.32	10.33	14.25	10.37	15.36	20.88	30.36	12.17	19.30	22.4	23.3
Ecuador	74.17	80.59	9.71	14.33	16.29	20.53	10.51	13.98	10.69	29.44	17.5	15.1[j]
Mexico	81.84	68.42	6.37	8.86	17.17	26.54	10.70	9.80	16.08	13.62	9.7	15.0[k]
Peru	69.98	70.51	7.47	13.54	22.85	13.17	13.25	16.49	13.56	13.71	10.6	24.7[j]
Uruguay	77.69	67.71	10.86	16.21	17.69	20.60	13.91	15.78	20.15	20.30	23.4	23.5[h]
Venezuela	56.86	77.08	12.45	16.29	42.13	32.33	33.95	11.31	45.38	37.01	15.4	18.3
AVERAGE (simple)	72.04	71.35	9.72	12.82	19.87	20.80	16.88	14.69	18.51	19.71	15.6	18.3

Notes: (a) Private consumption; (b) Government consumption; (c) Gross investment; (d) Exports; (e) Imports; (f) Current Government expenditures; (h) 1975; (j) 1975; (k) 1974.

Source: ECLA.

TABLE 3

VARIOUS COUNTRIES AND REGIONS
YEARLY GROWTH RATE OF LABOR PRODUCTIVITY

	1870-913	1913-50	1950-70	1970-80	
Developed countries [a]	1.6	1.8	4.5 [b]	2.7 [c]	
Latin America [d]					
– Total			3.2	3.4	
– Industry			3.3	3.2	
– Agriculture			2.7	2.5	
Mexico			1960-70	1970-80	1960-80
Whole economy			3.7	2.7	3.1
Branch I: Agriculture			1.5	0.5	1.0
Branch II: Mining			4.7	6.5	5.8
Branch III: Oil and			1.7	11.9	6.3
Branch IV: Food industry			1.6	1.1	1.4
Branch V: Traditional Industries			5.9	4.9	5.3
Branch VI: Non-durable Consumption			4.2	3.5	3.7
Branch VII: Modern inputs			6.5	3.2	4.6
Branch VIII: Other manufactures			4.1	0.2	2.0
Branch IX: Metal-mechanical			5.1	2.4	3.5
Branch X: Construction and inputs			6.1	3.9	4.8
Branch XI: Basic Services			5.6	2.8	4.1
Branch XII: Other Services			2.0	0.6	1.3

Notes: (a) Simple average of 16 countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, F.R.G. Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom;(b) Period 1950-73; (c) Period 1973-79; (d) 19 Countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

Sources: Developed countries: A. MADDISON (1982); Latin America: ECLA (1979); Mexico: Sepafin.

TABLE 4

LATIN AMERICA – SELECTED COUNTRIES INFLATION RATES
(ANNUAL AVERAGE, %)

	1953-60	1960-70	1970-82	1983-84
Argentina	29.5	21.2	117.8	554
Bolivia	65.2	5.5	29.7	1005
Brazil	24.0	41.7	48.7	187
Chile	41.6	26.6	125.0	22.9
Colombia	7.9	11.3	22.4	16.5
Ecuador	0.5	4.3	13.0	35.8
Mexico	7.1	2.6	21.3	70.0
Peru	4.5	8.7	27.1	115.4
Uruguay	18.9	43.8	57.0	57.7
Venezuela	0.8	0.9	9.6	11.4
AVERAGE (simple)	20.0	16.7	48.2	207

Sources: IMF and ECLA.

TABLE 5

LATIN AMERICA - SELECTED COUNTRIES ECONOMIC GROWTH
AND FOREIGN TRADE

	1950-1970			1970-1978			1950-1978		
	r	$\dot{X}$	$\dot{M}$	r	$\dot{X}$	$\dot{M}$	r	$\dot{X}$	$\dot{M}$
Argentina	3.65	1.30	1.91	2.1	5.2	– 1.4	3.2	2.4	0.6
Bolivia	2.95	3.9	5.3	5.7	6.8	10.0	3.7	4.7	6.6
Brazil	6.45	2.1	3.6	9.1	7.7	8.1	7.2	3.7	4.9
Colombia	5.20	2.5	3.2	5.9	8.9	6.0	5.2	4.3	4.0
Chile	4.20	4.6	4.7	1.8	0.5	3.3	3.5	3.4	4.3
Ecuador	5.10	3.7	8.1	7.6	11.7	12.0	5.8	7.0	9.2
Mexico	6.40	3.3	3.6	4.9	6.1	3.1	6.0	4.1	3.5
Peru	5.35	6.9	6.5	3.5	– 0.3	1.8	4.8	4.8	5.1
Uruguay	1.85	– 1.4	– 0.8	1.6	1.7	1.0	1.7	– 0.5	– 0.3
Venezuela	6.80	1.2	2.0	5.8	5.1	11.5	6.5	2.3	4.6
AVERAGE (simple)	4.8	2.8	3.7	4.6	10.8	5.5	4.7	3.6	4.3

Notes: r = Rate of growth of GDP.
$\dot{X}$ = Rate of growth of the purchasing power of exports.
$\dot{M}$ = Rate of growth of imports.

Source: ECLA.

TABLE 6

LATIN AMERICA - SELECTED COUNTRIES
FOREIGN INDEBTEDNESS AND GROWTH

	(1) DS/X (%)		(2) DX/X	(3)	(4)
	1970[a]	1984[b]	1984[b]	r_2 [b]	r_2/r_1 [b]
Argentina	21.4	52.0	5.5	– 1.5	– 0.47
Bolivia	10.9	57.0	4.4	– 6.8	– 1.84
Brazil	13.3	36.5	3.8	– 2.3	– 3.28
Colombia	11.6	21.5	3.5	1.0	0.19
Chile	18.9	45.5	5.0	– 7.0	– 2.0
Ecuador	9.1	31.5	2.8	– 0.8	– 0.14
Mexico	23.6	36.5	4.1	– 2.0	– 0.33
Peru	11.6	35.5	4.5	– 5.5	– 1.15
Uruguay	21.5	31.5	4.7	– 7.5	– 4.41
Venezuela	2.8	25.0	2.1	– 1.0	– 0.15
AVERAGE (simple)	14.5	37.3	4.0	– 3.4	– 1.36

Notes: (1) Debt service as a share of exports; (2) Outstanding debt as a share of annual exports; (3) Average annual rate of growth of output in 1982/1983; (4) Average annual rate of growth of output in 1982/1983 as a share of the average annual rate of growth of output in the period 1950-78.

Sources: (a) World Bank; (b) ECLA.

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