# PSCI 4012
# Global Development

## Regional Perspectives: Latin America and East Asia

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# Today's Plan

- Development in Latin America vs. East Asia
- Causes of different development performance
- China, democracy and development

# Latin America vs. East Asia

Table 27.1a GDP per capita Level, 1960–2010

| Year | Taiwan | South Korea | Thailand | Indonesia | Chile | Brazil | Costa Rica | Argentina |
|---|---|---|---|---|---|---|---|---|
| 1960 | 1,861 | 1,656 | 954 | 665 | 3,687 | 2,483 | 4,920 | 6,043 |
| 1965 | 2,508 | 1,912 | 1,166 | 647 | 3,853 | 3,062 | 5,496 | 6,692 |
| 1970 | 3,539 | 2,808 | 1,566 | 816 | 4,429 | 3,853 | 6,366 | 7,617 |
| 1975 | 4,932 | 3,788 | 1,852 | 1,162 | 3,609 | 5,536 | 7,235 | 8,043 |
| 1980 | 7,424 | 5,179 | 2,406 | 1,500 | 4,957 | 6,960 | 8,229 | 8,496 |
| 1985 | 9,263 | 7,191 | 2,974 | 1,733 | 4,244 | 6,143 | 7,008 | 6,997 |
| 1990 | 13,638 | 11,643 | 4,404 | 2,162 | 5,520 | 6,145 | 7,330 | 6,928 |
| 1995 | 18,542 | 15,889 | 6,105 | 2,891 | 7,971 | 6,646 | 8,076 | 8,323 |
| 2000 | 23,065 | 18,729 | 5,651 | 2,750 | 9,339 | 6,839 | 8,864 | 8,909 |
| 2005 | 26,693 | 22,577 | 6,966 | 3,224 | 11,068 | 7,234 | 9,939 | 9,671 |
| 2010 | 32,105 | 26,609 | 8,065 | 3,966 | 12,525 | 8,324 | 11,500 | 12,340 |

*Source:* Heston, Summers, and Aten 2012, variable RGDPCH (PPP converted GDP per capita, chain series, at 2005 constant prices).

# Latin America vs. East Asia

Table 27.1b GDP per capita Average Annual Percent Change, 1960–2010

| Period | Taiwan | South Korea | Thailand | Indonesia | Chile | Brazil | Costa Rica | Argentina |
|---|---|---|---|---|---|---|---|---|
| 1960–1965 | 6.1 | 2.9 | 4.1 | -0.6 | 0.9 | 4.3 | 2.2 | 2.1 |
| 1965–1970 | 7.1 | 8.0 | 6.1 | 4.8 | 2.8 | 4.7 | 3.0 | 2.6 |
| 1970–1975 | 6.9 | 6.2 | 3.4 | 7.3 | -4.0 | 7.5 | 2.6 | 1.1 |
| 1975–1980 | 8.5 | 6.5 | 5.4 | 5.2 | 6.6 | 4.7 | 2.6 | 1.1 |
| 1980–1985 | 4.5 | 6.8 | 4.3 | 2.9 | -3.1 | -2.5 | -3.2 | -3.8 |
| 1985–1990 | 8.0 | 10.1 | 8.2 | 4.5 | 5.4 | 0.0 | 0.9 | -0.2 |
| 1990–1995 | 6.3 | 6.4 | 6.7 | 6.0 | 7.6 | 1.6 | 2.0 | 3.7 |
| 1995–2000 | 4.5 | 3.3 | -1.5 | -1.0 | 3.2 | 0.6 | 1.9 | 1.4 |
| 2000–2005 | 3.0 | 3.8 | 4.3 | 3.2 | 3.5 | 1.1 | 2.3 | 1.7 |
| 2005–2010 | 3.8 | 3.3 | 3.0 | 4.2 | 2.5 | 2.8 | 3.0 | 5.0 |
| 1960–2010 | 5.9 | 5.7 | 4.4 | 3.6 | 2.5 | 2.4 | 1.7 | 1.4 |

# Causes of divergence

What explains the East Asian economic miracle, and Latin America's relatively slower long-term growth?

# Causes of divergence

McGuire (2018):

- Land and agriculture reform

  – reduced inequality

  – improved efficiency because small farms yield more per acre than big farms

  – paved the way for emergence of more inclusive political and economic institutions

# Causes of divergence

McGuire (2018):

- Primary and secondary education
  - reduced income inequality
  - created a more diverse and more skilled labor force

# Causes of divergence

McGuire (2018):

- Industrial policy: Import substitution vs. Export promotion

  - inflow of foreign exchange contributed to macroeconomic stability

  - Latin American economies reliance of primary goods exports made their growth more volatile

  - Overvaluation of Latin American currencies due to import substitution strategy led to decline in primary goods exports

  - Competing in international markets contributed to technological change in East Asian economies

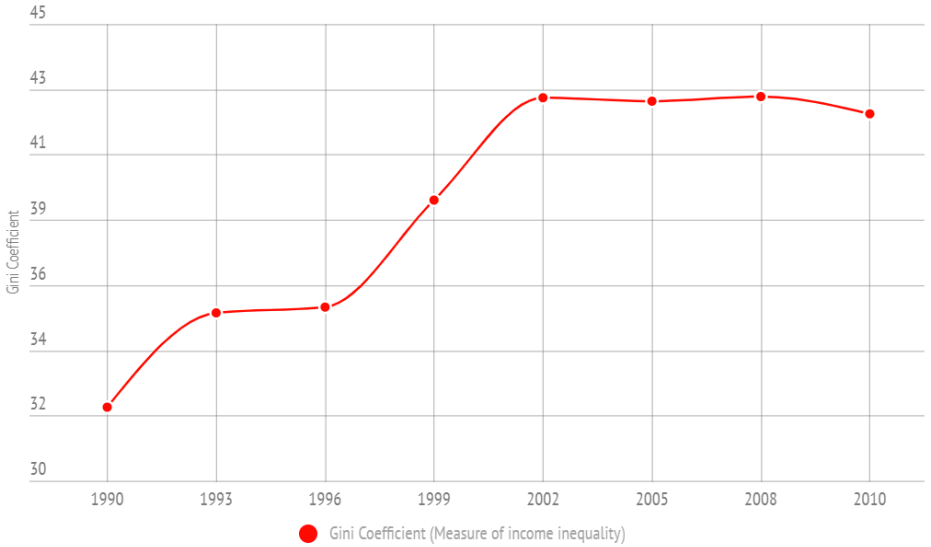
# Latin America vs. East Asia

Table 27.2 Gini Index of Income Inequality, 1960–2010

| Year Unit | Brazil income | Chile income | Costa Rica income | Thailand income | Argentina income | Indonesia income | Indonesia consumption | South Korea income | Taiwan income |
|---|---|---|---|---|---|---|---|---|---|
| 1960 | 53.0 | — | 50.0 | 43.7 | — | — | — | 32.0 | — |
| 1965 | — | — | — | — | 36.0 | — | 33.3 | 35.2 | 32.8 |
| 1970 | 59.0 | 46.0 | 43.0 | 43.8 | 36.4 | — | 30.7 | 33.3 | 29.9 |
| 1975 | 63.5 | — | 46.4 | 42.8 | 36.8 | 43.3 | 34.0 | 39.1 | 28.1 |
| 1980 | 56.0 | 53.2 | 47.6 | 45.1 | 42.5 | — | 34.2 | 38.6 | 27.7 |
| 1985 | 58.9 | 54.9 | 43.2 | — | — | 40.4 | 35.7 | 34.5 | 29.0 |
| 1990 | 60.5 | 55.1 | 47.9 | 43.6 | 44.4 | 38.7 | 31.9 | 33.6 | 30.9 |
| 1995 | 59.1 | 54.8 | 47.5 | 43.7 | 48.1 | 39.6 | 36.5 | 33.5 | 31.5 |
| 2000 | 58.9 | 55.2 | 45.8 | 42.9 | 50.4 | — | 30.8 | 37.2 | 31.9 |
| 2005 | 56.4 | 51.8 | 47.2 | 42.4 | 48.8 | — | 39.4 | 33.0 | 34.0 |

# China, democracy and development

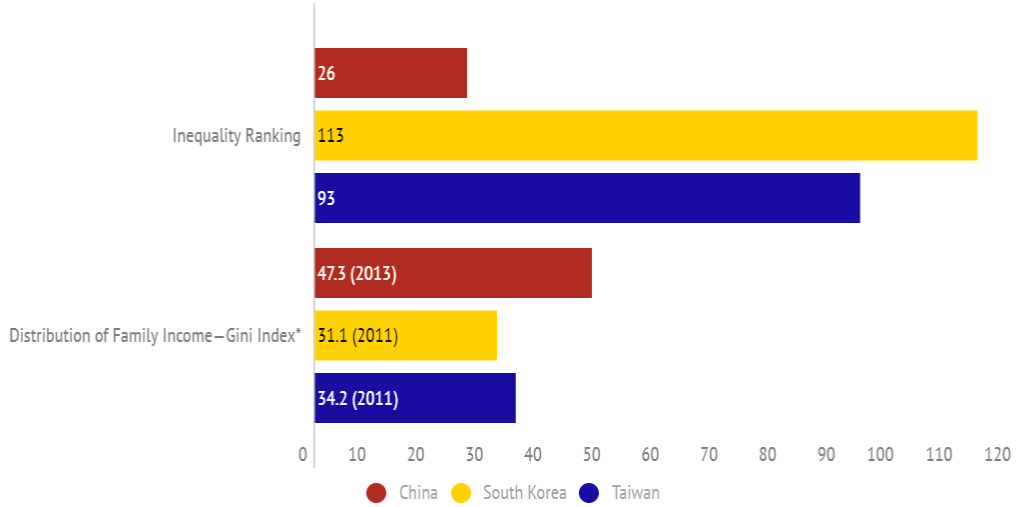
# China, democracy and development




A Gini coefficient of 0 represents perfect income equality, while 100 represents maximum inequality.

Source: World Bank Global Prospects at http://freedomhou.se/1Kuestq

# China, democracy and development




* For the Gini coefficient, 0 represents perfect equality and 100 perfect inequality.

Source: CIA World Factbook. https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html