



TRADE AND POVERTY

WHEN THE THIRD WORLD FELL
BEHIND

PART II

CHAPTER 8

A LATIN AMERICAN DE-INDUSTRIALIZATION

ILLUSTRATION: MEXICAN EXCEPTIONALISM

- Increase in trade from the 1810s to 1890s
 - 2.2 percent per annum over the four decades up to the late 1850s
 - about 1.4 percent annum over the eight decades up to the early 1890s
 - Large but less than most of the “poor periphery” up to 1870
- Exceptionalism-comes from lower rate of de-industrialization than elsewhere
 - Terms of trade and Dutch Disease effects weak comparatively
 - Wage competitiveness
 - Autonomy to create more pro-industrial policies





General José de la Cruz Porfirio Díaz

MEXICAN DE-INDUSTRIALIZATION IN THE TRANSITION BEFORE PORFIRIATO

- urban share of the population was at least 9.1 percent around 1800. This is close to the average of 10 percent in Europe.
 - Shows increase in commercialization internal markets, and industrial base
- Five “lost decades” between the Insurgencia and the start of the Porfiriato
 - GDP growth barely existed
 - Many attribute this to postindependence institutional weakness and political instability

Mexican textile imports/total imports and silver exports/total exports, 1802 to 1872
(in percent)

	Textiles	Silver
1802	72.9	63.7
1803	84.9	42.2
1804	53.0	56.3
1805	23.8	3.5
1806	39.4	36.5
1807	62.8	52.0
1808	50.4	56.4
1809	40.1	57.9
1821	62.5	84.0
1823	59.0	56.5
1824	68.1	62.2
1825	63.9	72.5
1826	63.9	77.6
1827	70.5	79.5
1828	58.6	85.5
1856	59.9	96.3
1872	52.0	80.1

Source: Dobado et al. (2008: table 1).

SPANISH CROWN OPENS COLONIES



- Only one port in Spain — Cádiz — and four in America — Cartagena, Portobelo, La Habana, and Veracruz — were authorized to trade.
 - The rationale for this system was to make it easier for the Crown to collect taxes
- Others reasoned that lower taxes, more ports, fewer smugglers, and a pro-global policy would increase Crown revenue.
- The Crown listened, and in 1765 restrictions regulating commerce between Spain and Spanish America were substantially reduced. By 1789 Nueva España had gone open.
- However, export specialization was reinforced, and textiles kept their dominant position among imported items.
 - The textile import share in total imports was almost 65 % in the decade before the Insurgencia and about 63 % in the decade thereafter. Thus the new republic's foreign trade mix was much like that of the colonial period — silver in exchange for textiles.