

POLI 437: International Relations of Latin America



THIS WEEK

Broad overview of econ development

Colonialism & long-run development

~20 countries

640 million people

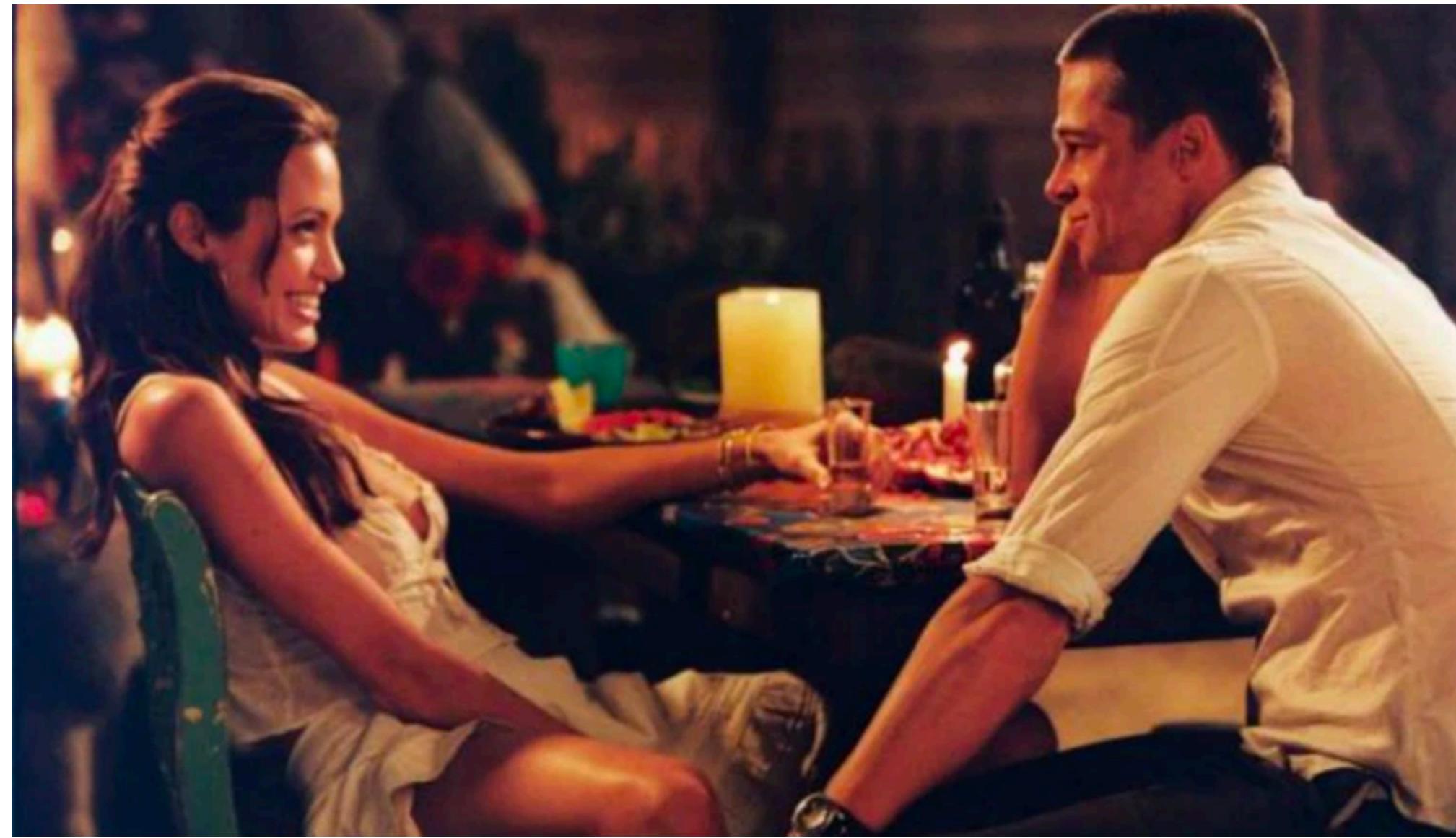
Spanish,
Portuguese,
French

South America, Central America,
The Caribbean



“LAND OF CONTRASTS”







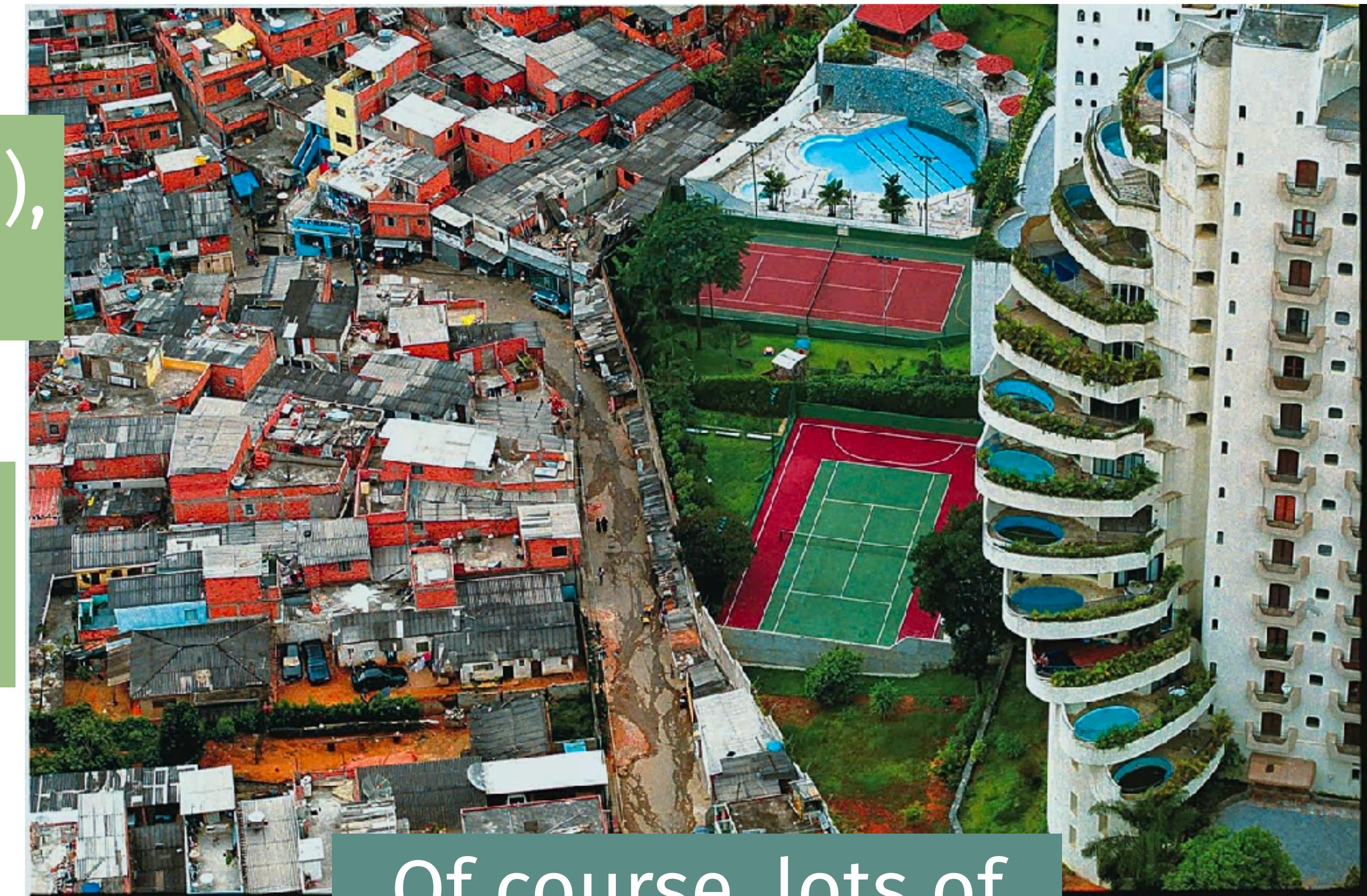
Actual Bogota

RICH AND POOR

Rich: Uruguay (GDP = 25k/cap),
Chile, Brazil, Argentina

Poor: Haiti (GDP = 2k/cap),
Nicaragua, Honduras

USA = 57k/cap



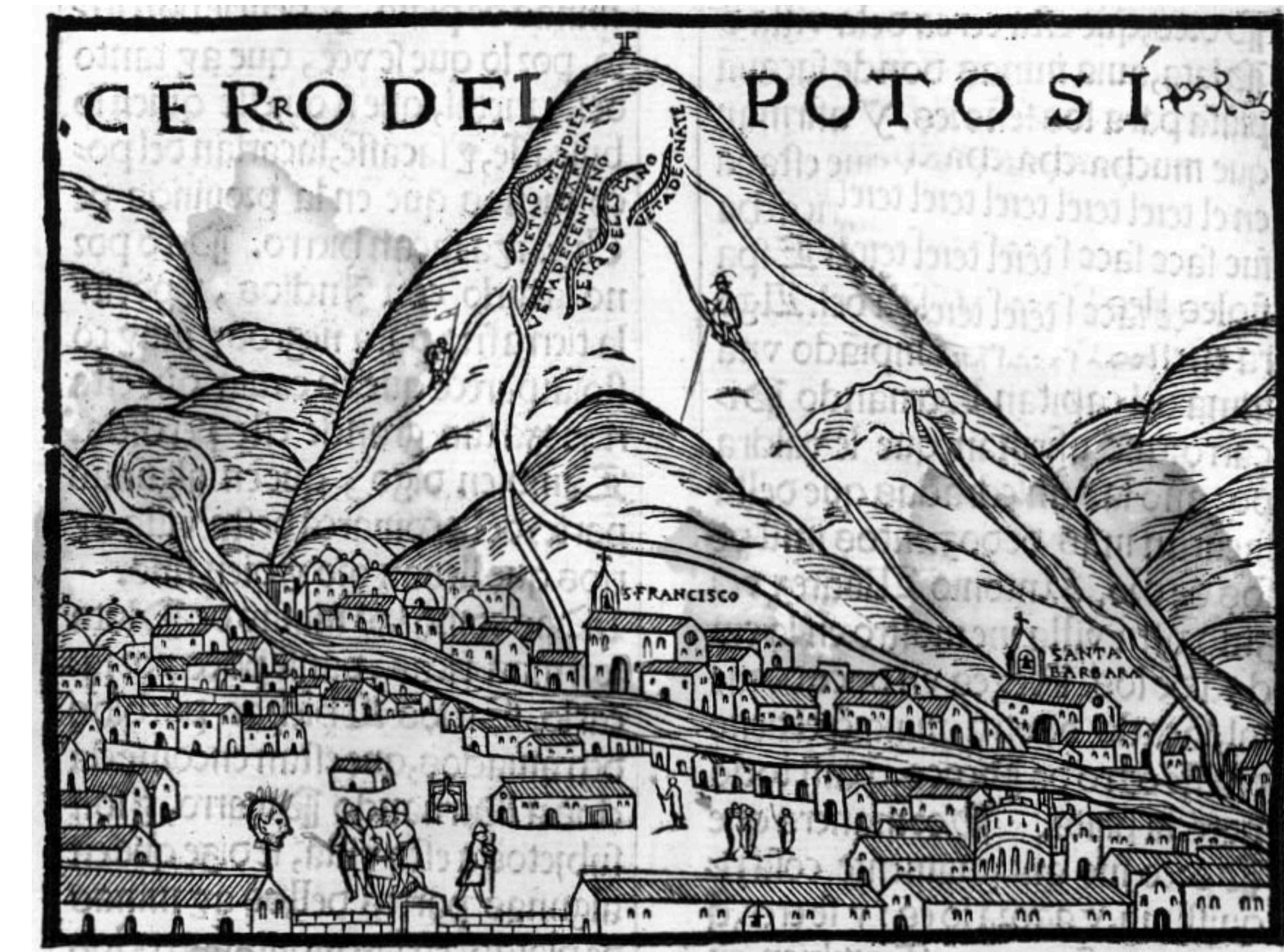
Of course, lots of
internal variation!

LATIN AMERICAN ECONOMIES

Export oriented economies

Produce commodities to sell abroad

Two primary sectors:
Agriculture
Mining/extractive



AGRICULTURE

16% of world's food comes from LA

Coffee, banana, cattle, soy

Argentina and Brazil biggest players

Lots of land + right climate



DEFORESTATION



MINING/ EXTRACTION

Copper, silver, gold, zinc

A couple countries are rich in natural resources

Venezuela has 20% of global petroleum reserves

Bolivia has huge natural gas reserves



China's imports of LA goods growing

Country	Leading export market
Argentina	Brazil
Belize	European Union
Bolivia	Brazil
Brazil	China
Chile	China
Colombia	United States
Costa Rica	United States
Cuba	Russia
Dominican Republic	United States
Ecuador	United States
El Salvador	United States
Guatemala	United States
Guyana	Canada
Honduras	United States
Mexico	United States
Nicaragua	United States
Panama	European Union
Paraguay	Brazil
Peru	China
Suriname	United States
Uruguay	Brazil
Venezuela	United States

Historically, LA economies **export-oriented**
+ most produce **one or two commodities**

What implications does this have for LA development?

Vulnerable to international markets

Dependent on foreign
manufacturing

Conflict over resources

THE CRISIS IN VENEZUELA

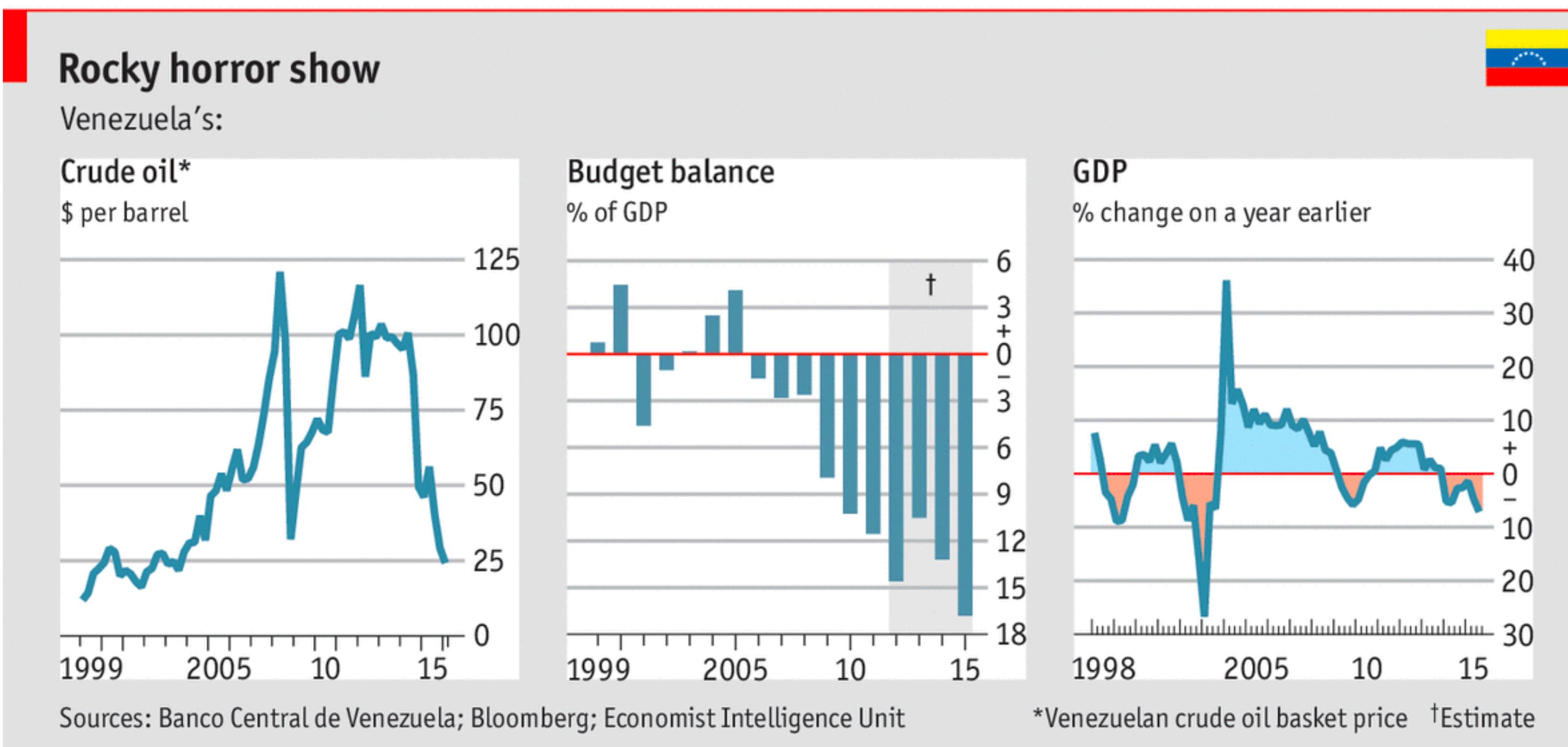
One in three Venezuelans not getting enough to eat, UN finds

- World Food Programme says 9.3m people are food insecure
- People struggling for minimum nutrition amid economic crisis



▲ Dugleidi Salcedo complains to a neighbor about the high price of food as she prepares arepas for her three sons in her kitchen in the Petare slum, in Caracas, Venezuela, in February 2019. Photograph: Rodrigo Abd/AP

MARKET VULNERABILITY



Economist.com

Oil is 95% of Venezuelan exports and 25%
(!!) of GDP

MARKET VULNERABILITY

HONDURAS NEOLIBERALISM FAIR TRADE

Coffee Prices Have Collapsed, Threatening the Livelihood of Millions Across the Global South

Why aren't big importers like Starbucks doing something to help the small farmers and workers who are the backbone of their multibillion-dollar businesses?

By James North 

OCTOBER 25, 2019



2011: \$3/pound,
2019: \$1/pound

Coffee Producers Demand Immediate Action Amidst Price Crisis



Nick Brown | March 27, 2019

ICE FUTURES U.S. Coffee C® Futures



A screenshot showing the current ICE Coffee C Futures price for May contracts, plus the past two years of C price movement.

Yet consumer prices don't go down; why?

Generally speaking, countries want to
“move up the value chain”

Value chain = process through which raw
commodities turn into final consumer
products

Being lower in the value chain → lower
wages, less **pricing power**, more vulnerable

Venezuela historically exports crude which is then refined

Refined oil is up the value chain from crude

At the height of the crisis, Venezuela was importing refined oil

Explainer: U.S. sanctions and Venezuela's trade and oil industry partners

Collin Eaton, Luc Cohen

6 MIN READ



HOUSTON/CARACAS (Reuters) - The United States last week imposed a sweeping freeze on Venezuelan government assets in U.S. territory and threatened to sanction any company that works with socialist President Nicolas Maduro's government, as the Trump administration ratcheted up its bid to force Maduro out.



Leading import source
Brazil
United States
China
European Union
China
United States
United States
China
United States
United States
United States
United States
Trinidad and Tobago
United States
United States
United States
United States
China
China
United States
China
United States

Historically, LA countries have weak domestic manufacturing

Have to import lots of **high-value goods**

Clothes, computers, cars, etc.

TAKEAWAYS

Export low-value stuff +
import high-value stuff = bad time

Economy vulnerable to price fluctuations,
disasters, etc.

In resource rich countries = conflict over
resources

CONFLICT OVER RESOURCES

Bolivia saw big protests in 2000s over natural gas production

Who “owns” a country’s natural resources, who should benefit?

President forced to resign

Election of Evo Morales



Region of Bolivia with big natural gas production has wanted to **secede** at different points



Santa Cruz department in Bolivia
~30% of National GDP

Why is Latin America like this?

Part of the answer is the region's colonial history



EMAIL PRINT TWEET SHARE

The Great British Empire Debate

Kenan Malik



Weird debate about whether colonialism is “good”

The case for colonialism

Bruce Gilley

Department of Political Science, Portland State University, Portland, OR, USA

ABSTRACT

For the last 100 years, Western colonialism has had a bad name. It is high time to question this orthodoxy. Western colonialism was, as a general rule, both objectively beneficial and subjectively legitimate in most of the places where it was found, using realistic measures of those concepts. The countries that embraced their colonial inheritance, by and large, did better than those that spurned it. Anti-colonial ideology imposed grave harms on subject peoples and continues to thwart sustained development and a fruitful encounter with modernity in many places. Colonialism can be recovered by weak and fragile states today in three ways: by reclaiming colonial modes of governance; by recolonising some areas; and by creating new Western colonies from scratch.

ARTICLE HISTORY

Received 24 April 2018

Accepted 15 August 2018

KEYWORDS

Decolonisation and colonisation
capacity-building
humanitarian intervention
fragile states
governance

Conventional wisdom says it's bad:
moral evils of slavery/forced labor,
colonized countries poorer today

Defenders will say that *within* poor
countries, places closer to colonial
infrastructure are **better off** than
places that got left alone

How to square this?

The Development Effects Of The Extractive Colonial
Economy: The Dutch Cultivation System In Java*

Melissa Dell and Benjamin A. Olken

Harvard University and MIT

October 2018

Abstract

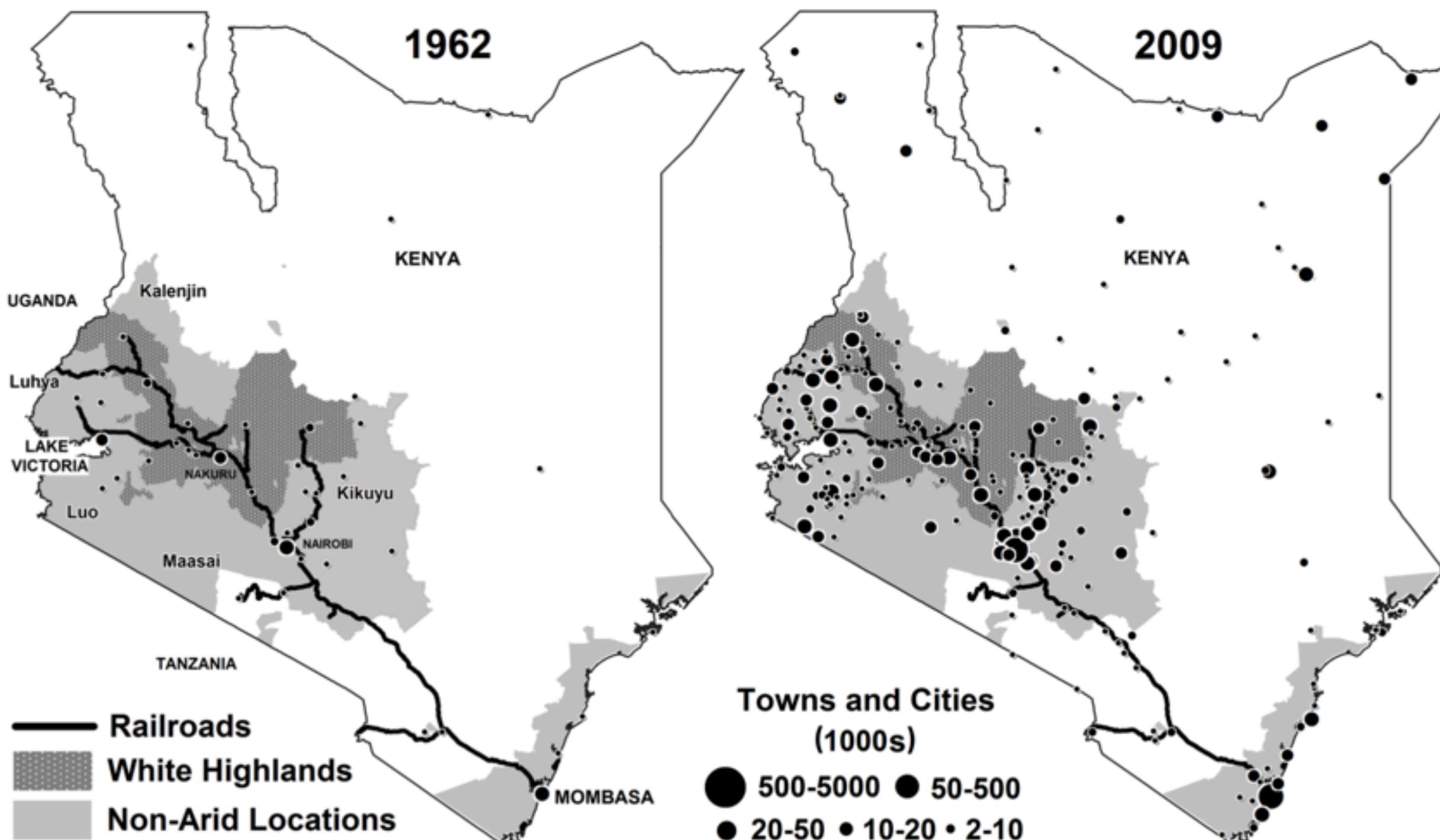
Colonial powers typically organized economic activity in the colonies to maximize their economic returns. While the literature has emphasized long-run negative economic impacts via institutional quality, the changes in economic organization implemented to spur production historically could also directly influence economic organization in the long-run, exerting countervailing effects. We examine these in the context of the Dutch Cultivation System, the integrated industrial and agricultural system for producing sugar that formed the core of the Dutch colonial enterprise in 19th century Java. We show that areas close to where the Dutch established sugar factories in the mid-19th century are today more industrialized, have better infrastructure, are more educated, and are richer than nearby counterfactual locations that would have been similarly suitable for colonial sugar factories. We also show, using a spatial regression



Europeans colonized much of what
we now know as Latin America in
the 1500-1600

Large literature in Econ tells us early choices can have long-term consequences

Figure 1: Colonial Railroads, European Settlement and City Growth in Kenya, 1962-2009



Notes: The map shows colonial railroads and cities in Kenya in 1962 and 2009. Kenya's railroad lines were all built before the country gained independence in 1963. The main line from Mombasa on the coast to Lake Victoria in the west was built in 1896-1903 to link Uganda to the coast. The non-arid areas are "locations" where arid soils account for less than 10% of the total area ($N = 403$ out of 473 locations of Kenya in 1962). The White Highlands were areas where Europeans settled in considerable numbers during the colonial period. These areas previously served as a buffer zone between the ethnic groups of the Rift Valley: the Maasais, the Luos, the Luhyas, the Kalenjins and the Kikuyus. Cities are localities where population is in excess to 2,000 inhabitants in 1962 ($N = 42$) and 2009 ($N = 247$). We do not have data for localities below that population threshold. There were only 5 cities in 1901, and all of them except Nairobi (Est. 1899) were on the coast. See Online Data Appendix for data sources.

Early colonial can create powerful path dependencies

Figure 2: Historical roads

Panel A: Colonial routes



Panel B: 1938 roads



Source: Colombian Institute of Geography (IGAC — Instituto Geográfico Augustin Codazzi.)

Colonists build “sticky” institutions and infrastructure

US and LA colonial experience looked very different; how?



US = settle and develop, “bring family”

LA = extract resources, manage from afar

VARIETIES OF COLONIALISM

Colonialism comes in different
flavors

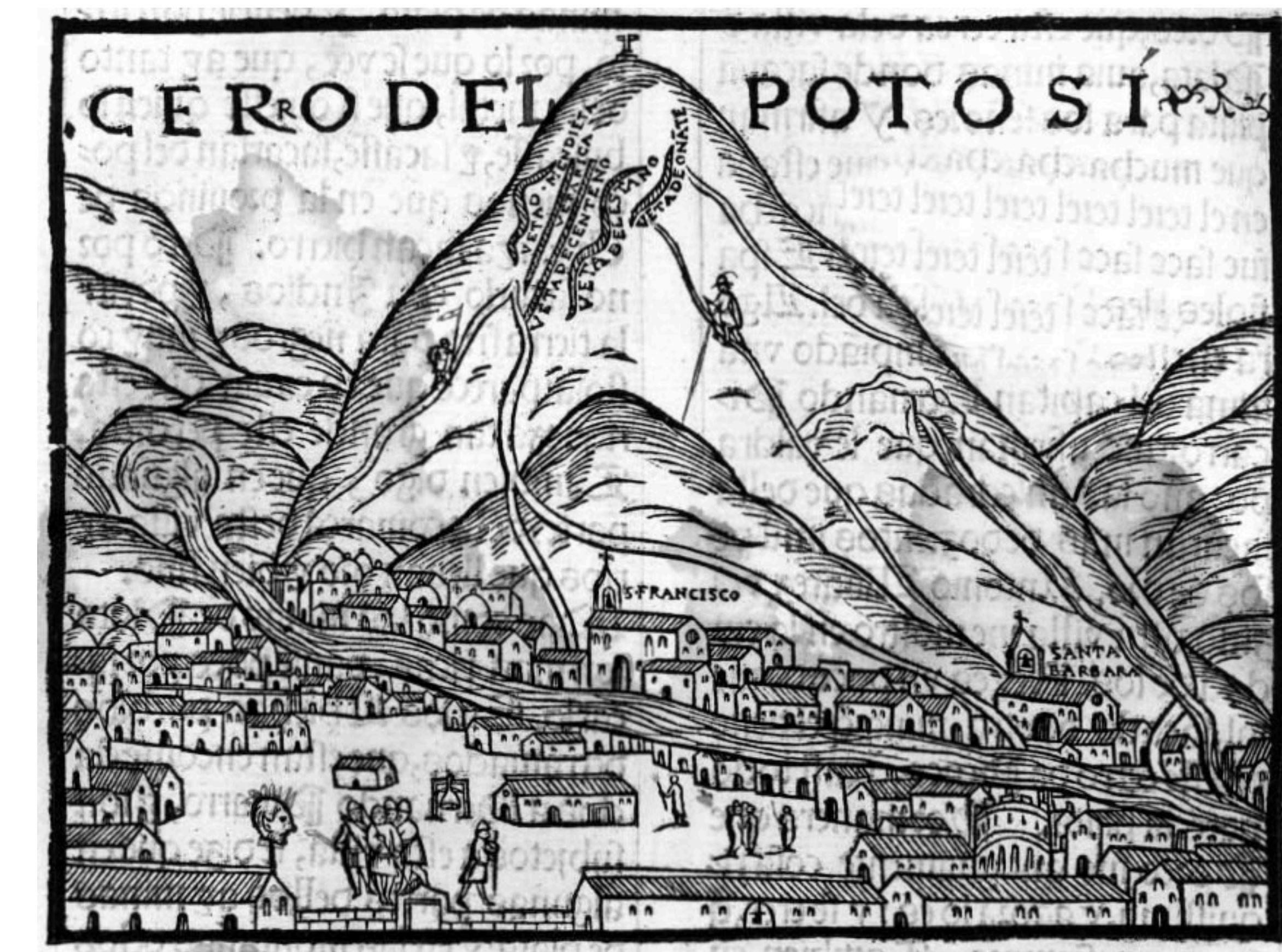
USA, Canada, Australia =
“settler” colonialism

Latin America, Africa =
“extractive” colonialism

EXTRACTION

Spanish and Portuguese interest
in LA mostly a function of natural
resources

Silver, gold, nitrates, cacao,
(later on) rubber



COLONIAL INSTITUTIONS

Inclusive institutions: representative institutions, property rights, civil rights (for few)

Extractive institutions: monopolies and trade restrictions, forced labor/slavery

Extractive institutions are designed to **extract wealth from one subset of society to benefit another**

Horror aside, they also destroy potential for human capital, industry

J www.jstor.org › stable ▾

Plantations and Labor Force Discrimination in Guatemala - jstor

by L Bossen - 1982 - Cited by 41 - Related articles

Guatemala as a nation relies heavily on agricultural exports such as sugar, coffee, cotton, and bananas produced by the commercial plantation sector of the economy. ... After forced labor was abolished in the 1940s, plantations had to compete for free wage labor.



CHAINED INDIAN RUBBER GATHERERS IN THE STOCKS: ON THE PUTUMAYO RIVER.

[Frontispiece]

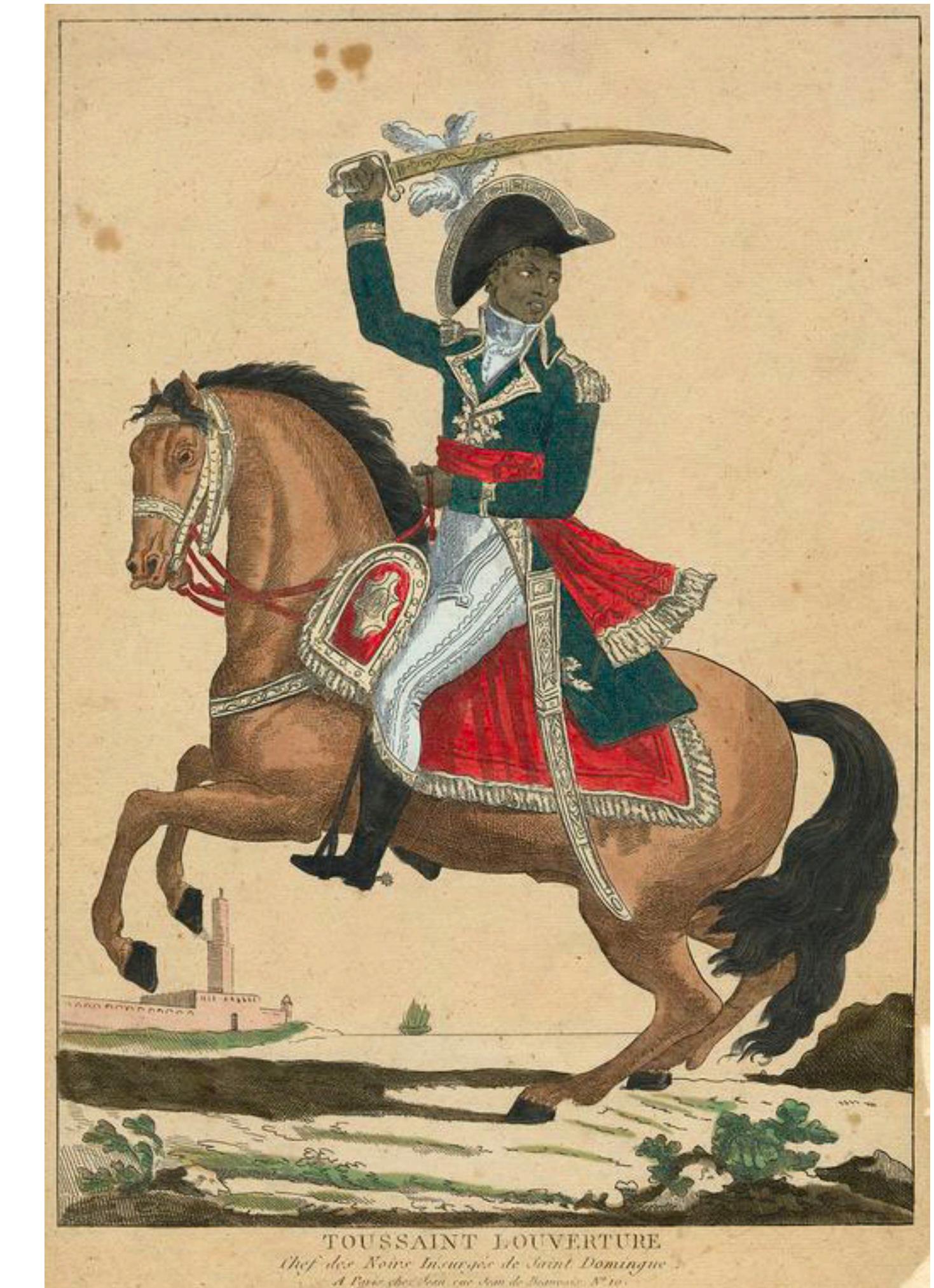
RULING FROM AFAR

In colonial Haiti, < 10% of residents were white

80%+ African slaves

Large planters lived abroad long portions of year

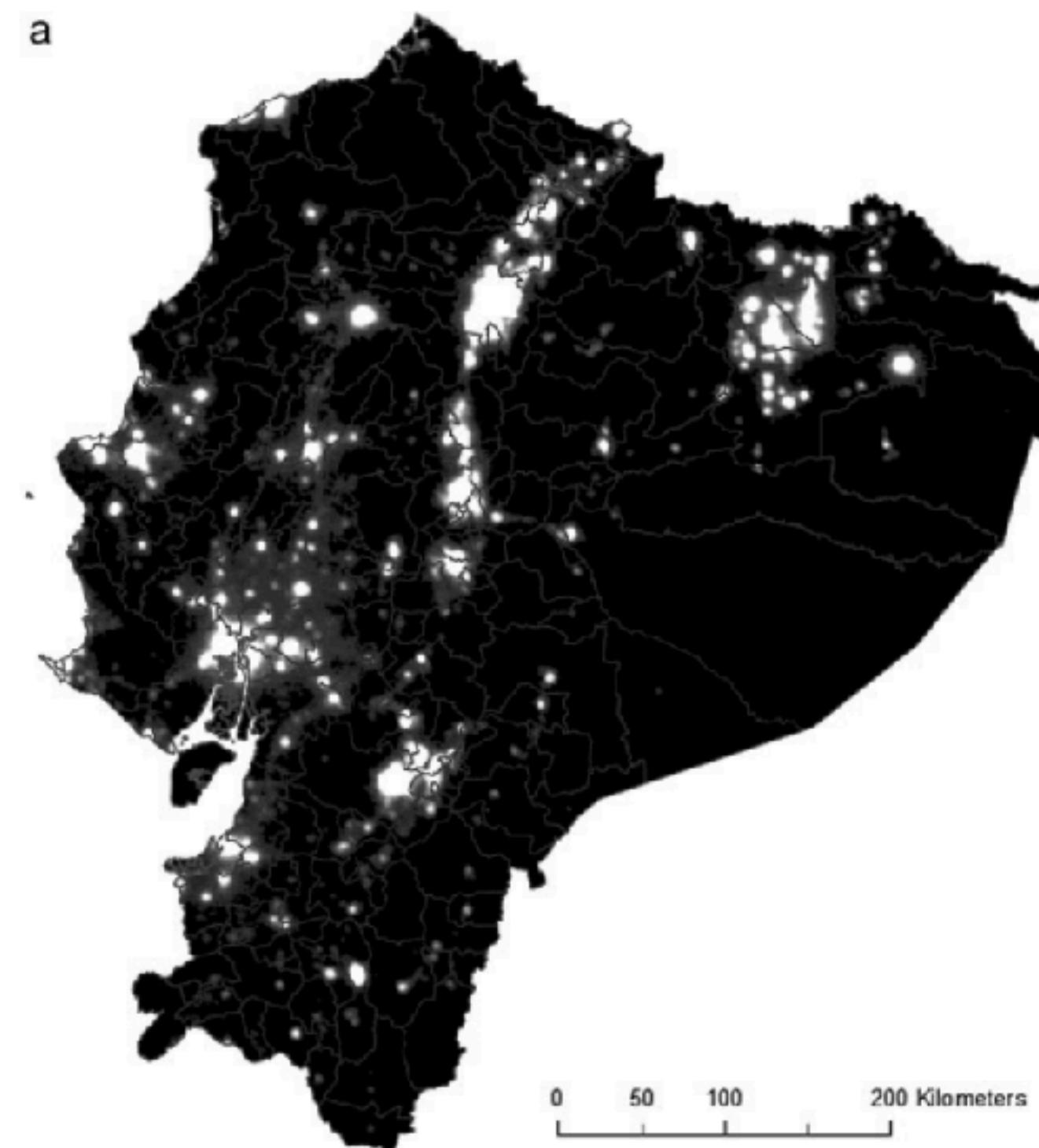
Little incentive for building infrastructure over and above what's needed to extract



One result is **uneven development**

Some parts of country have modern road systems, electrification, others extremely undeveloped

FIGURE 2
Estimating Economic Activity Using Luminosity Data. (a) Stable Lights Image; (b)
Economic Activity per Municipality



TAKEAWAYS

In settler colonies, colonists have incentives to create, invest, develop

LA countries largely setup to extract at cost of local population

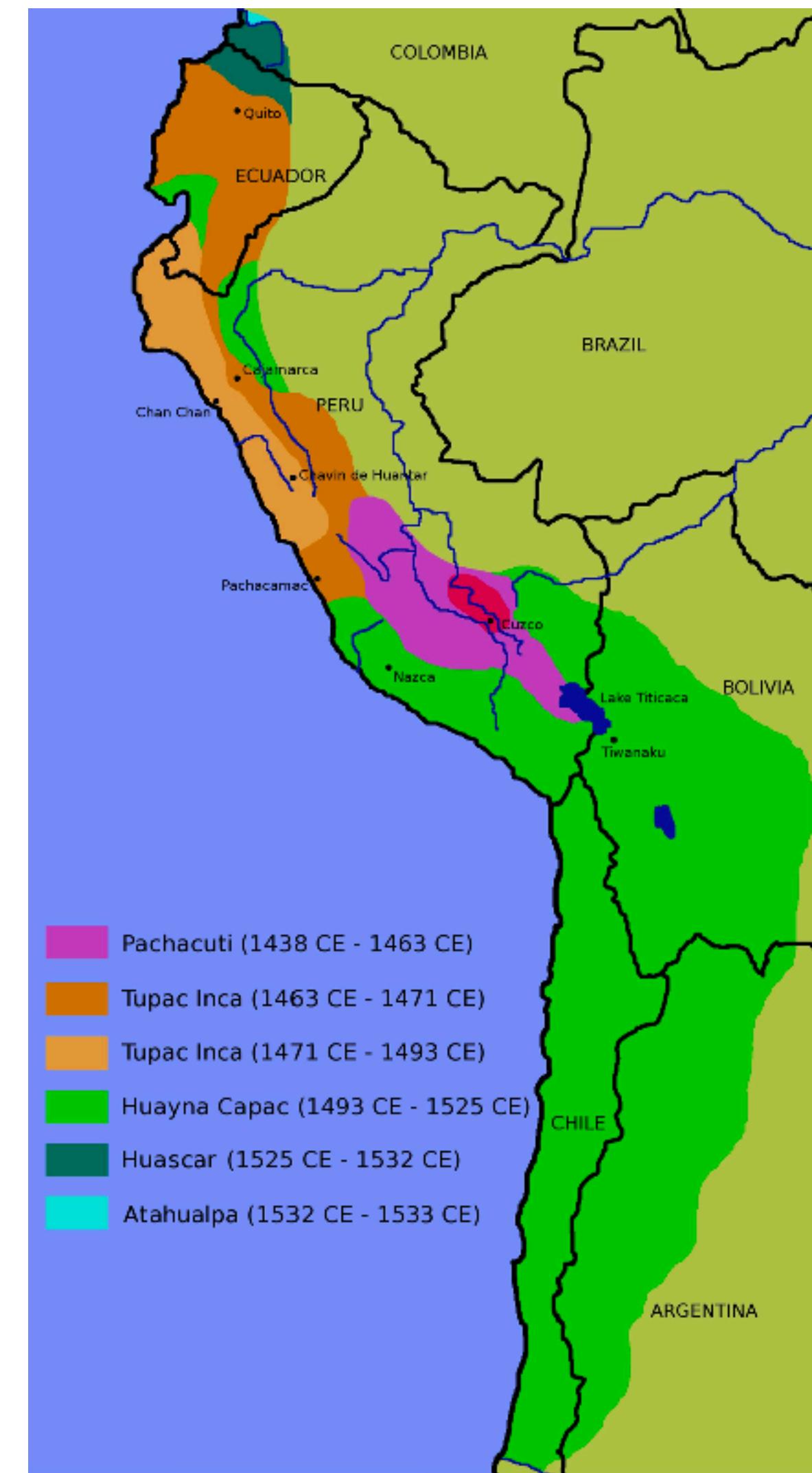
Early trajectory is “sticky” and hard (though not impossible) to change

COLONIAL RULE IN PERU





Cerro Potosí, Bolivia
Location of Vice-Royalty of Peru-Bolivia



Does the *quality* of colonial governorship matter?

Possible that colonial rulers vary in how “greedy” or extractive they are

Before 1674: governorships based on “merit”

After 1674: governorships sold to highest bidder (b/c Spain is broke!)



CLASS ACTIVITY

What determined the **price** of the governorship? Why are some governorships more attractive than others?

What are the consequences of having governorships **sold** for Peru's long-run development?

REPARTIMIENTO

Repartimiento = monopoly power in province, buy goods in Lima, resell in province at \$\$\$, debt peonage

*“The rents obtained via forced sales are estimated to be **at least twice as large** as those obtained from forced labor (mita) and head taxes (tributo) from the Indian population”*

Office-selling, Corruption, and Long-Term Development in Peru*

Jenny Guardado[†]
jgr45@georgetown.edu
Georgetown University

Current Version: April 2016

Abstract

The paper uses a unique hand-collected dataset of the prices at which the Spanish Crown sold colonial provincial governorships in 17th-18th century Peru to examine the impact of the quality government officials on long-run development. Combining provincial characteristics with exogenous variation in appointment criteria due to the timing of European wars, I first show that provinces with greater extraction potential tended to fetch higher prices. In the long-run, these high-priced provinces have lower household consumption, schooling, and public good provision. The type of rulers of these provinces likely exacerbated political conflict and undermined inter-generational cultural assimilation in the population. **JEL Classification:** O10, D73, N46, J15

Value of provinces with high levels of *repartimiento* shoot up once Spain starts selling offices

These provinces are significantly worse off today

Guardado argues because they attracted particularly extractive governors

First problem set:
Walkthrough