

# **Back to the Future: Latin America's Current Development Strategy**

*Esteban Pérez Caldentey and Matías Vernengo*<sup>1</sup>

**Abstract:** In the years running from 2002 to 2006 Latin America registered, on average, one of the highest growth rates in over two decades. The empirical evidence suggests that the good economic performance of the last 6 years (including 2007-8) is increasingly and strongly correlated either with a positive terms-of-trade shock, mostly in South America, or with the increase in the flow of remittances, particularly in Central and North America. In other words, Latin America now exports commodities and people. The paper shows the possible limitations of this development strategy.

**Keywords:** Terms of Trade, Remittances, Development Strategy

**JEL Codes:** E66, O11, O54

---

<sup>1</sup> The authors are respectively Economic Affairs Officer at ECLAC (Santiago, Chile) and Assistant Professor at the University of Utah. The opinions here expressed are the authors' own and may not coincide with those of the institutions with which they are affiliated. Preliminary versions were presented in FLACSO, Quito and the University of Utah, and we thank several comments by participants. We would also thank Jan Kregel and Mark Weisbrot for comments to a preliminary version. The responsibility for any errors or omissions is entirely ours.

## Introduction

In the years running from 2002 to 2006 Latin America registered one of the highest average growth rates in over two decades. Aggregate demand decomposition into the three major sectors of the economy (external, government and private) shows that the growth trajectory is explained, mainly by the favorable performance of the external sector and to a lesser extent by the increase in the debt of the private sector.<sup>2</sup>

Since the late 1990s, Latin America has been able to reduce its current account imbalance, and from 2002 onwards, managed to achieve a surplus. The improvement in the external sector conditions is attributable partly, to a price commodity boom that benefited a subset of Latin American countries, namely those that specialize in the exports of commodity products and which comprise mainly South American economies and Mexico. The commodity boom was triggered by the increased demand for primary products from Asian countries and in particular by China.

In addition to the terms-of-trade, an additional explanatory factor is the significant increase in remittance flows that has taken place since 2002. It responds to an important increase in illegal immigration flows from Latin America to the rest of the world. Remittances have benefited most Latin American economies. But the positive effect of remittances on the current account is much greater, for the most part, in those economies that were not favorably affected by the boom in the terms-of-trade, namely Central American economies. In addition, in the case of these countries, the excess of private sector consumption over income (private debt) also helped to boost aggregate demand.

For its part the government sector did not provide an additional stimulus to aggregate demand. In the great majority of cases, countries opted to reduce their budget deficit and in a few, the fiscal stance was outright contractionary.

The analysis adopted in this paper does not attribute an important role to financial flows.<sup>3</sup> At the aggregate regional level, the transfer of net financial resources to Latin America is roughly nil. At the more detailed level, countries that were favorably affected by the movement in the terms-of-trade, record a negative net transfer of resources for the period 2002-2006. That is, they were not net recipients but rather net suppliers of financial flows to the rest of the world. The rest of the countries, were net recipients of financial flows during 2002-2006, but on a much lower scale than in the period 1990-2001.

Latin America's current development strategy is based on a variation of the agro-export model adopted during the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, even though some relevant differences exist. At that time primary production for export supported the development of Latin America. However, the external demand for primary commodities proved to be insufficient to guarantee the full employment of Latin America's productive potential. One policy alternative based on free market principles to fill the gap between the demand and supply of resources, which could not be implemented at the time, was to allow workers to migrate.<sup>4</sup> Roughly a century after,

---

<sup>2</sup> See, Godley (2000), Eatwell and Taylor (2000).

<sup>3</sup> For a contrary view see Ocampo (2007). In his analysis Ocampo does attribute a fundamental role to the terms-of-trade variable.

<sup>4</sup> See, Kregel (2007), Cypher (2007).

Latin America's economic performance is not only sustained by primary production for export but also by the export of labor. In addition, this free market driven approach has solidified a regional division of labor within the Latin American region. The north exports mainly labor and the south mainly commodities.

Moreover, as in the nineteenth century, the current pattern of productive specialization and growth is driven and shaped by financial factors. In the latter half of the nineteenth century, free capital mobility was fundamental to the creation of the agro-export model. Long term financial flows from the center to the periphery allowed the creation of the infrastructure that led to the export boom in the region. Currently global financial imbalances have determined to greater extent the growth performance of Latin American countries.<sup>5</sup> The impressive American current account deficits, specially with Asia, have allowed an incredible expansion in that part of the world, and increasing demand for commodities that has led to a renewed change in the patterns of production in Latin America.

The difference lies in the fact that in the 19<sup>th</sup> and early 20<sup>th</sup> century free capital mobility and the role of financial factors reflected a successful integration with the hegemonic economy of the period (England) that functioned for all purposes like a closed circular flow with no leakages. Currently global imbalances have created a price increases that may not be sustainable and, to some extent, are driving the process of productive specialization in Latin America. Furthermore, the hegemonic country (United States) is also a producer of commodities and in many cases a competitor of the region for external markets.<sup>6</sup>

This paper analyses the current development strategy of Latin America and places it in a historical context. The remainder of the paper is divided into six sections. The first section analyses the current economic performance of Latin American economies using a demand driven approach and more specifically the financial balance approach. Sections two, three and four examine the performance of the external sector, remittances, and the contribution of financial flows. The fifth section provides econometric support for the hypotheses put forward in this paper. The sixth section presents the conclusions of the paper and draws policy implications.

### **The growth performance of Latin American economies and its relation to the external sector**

Following the ostensibly poor performance of the 1980s decade and the stagnant performance of the free market driven reforms of the 1990s, Latin American economies have, with few exceptions, witnessed a strong economic recovery in the five years running from 2002 to 2006. During this last period the regional average per capita growth rate reached 2.2% surpassing that of the 1980's lost decade and also that registered during the free market structural reform era (1991-2001) (1.4%) (Figure 1 and table 1).

The performance at the sub regional and country level is by no means different. During 2002-2006, the countries of South America and Central America attained one of

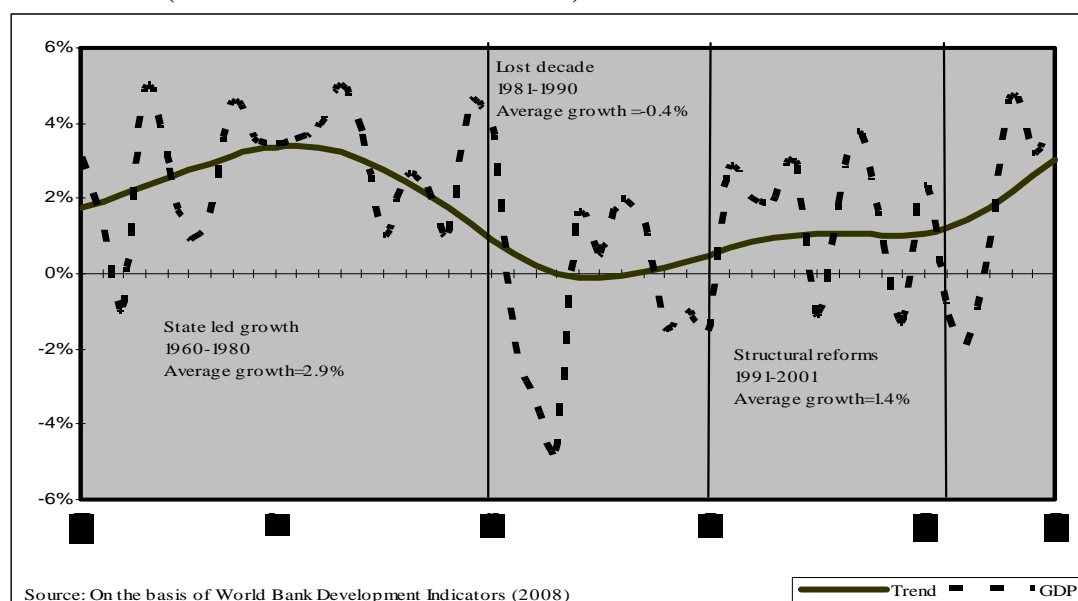
---

<sup>5</sup> Jan Kregel brought the role of financial factors in shaping the 19th and 20th century pattern of productive specialization of Latin American countries to the attention of one of the authors of this paper.

<sup>6</sup> See, Pérez Caldentey and Vernengo (2008) for a comparison of the Argentinean integration to England and the United States in the two different globalization periods, that is, the late 19th and 20<sup>th</sup> centuries.

the highest average per capita growth rates in their history (2.8% and 2.2% respectively) (See Table 1).

Figure 1: Latin America. Evolution of the rate of growth of GDP and of its trend. 1961-2006. (Hodrick Prescott Filter method).



Countries	1960-1970	1971-1980	1981-1990	1991-2001	2002-2006
Argentina	2.5	1.4	-2.8	2.6	3.9
Bolivia	0.5	1.5	-2	1.3	1.6
Brazil	3.3	6	-0.4	0.9	1.8
Chile	1.8	1.5	2.2	4.6	3.2
Colombia	2.3	3.1	1.5	0.7	2.9
Costa Rica	2.8	3	-0.1	2.4	3.6
Dominican Republic	2.9	4.5	0.4	3.9	3.3
Ecuador	1.3	4	-0.5	0.4	3.5
El Salvador	2.2	0	-1.4	2.2	0.8
Guatemala	2.7	3	-1.5	1.6	0.5
Honduras	1.6	2.2	-0.7	0.5	2
Mexico	3.4	3.7	-0.2	1.6	1.7
Nicaragua	3.5	-2.2	-3.7	1.2	2.2
Panama	4.8	1.5	-0.6	2.6	3.9
Paraguay	1.8	5.9	-0.2	-0.5	1
Peru	2.4	0.9	-2.7	1.9	4.2
Uruguay	0.4	2.7	-0.5	1.9	3.3
Venezuela. RB	1.5	-0.7	-1.8	0.2	2.7
Latin America	2.6	3.2	-0.4	1.4	2.2
South America	1.8	2.6	-0.7	1.4	2.8
Central America	2.9	1.2	-1.3	1.8	2.2

Source: Own computations on the basis of World Bank Development Indicators (2008).

The growth path during the period 2002-2006 can be explained by the favorable performance of the external sector. This can be clearly seen by analyzing the structure of aggregate demand through the financial balances of the three major sectors of the economy, namely government ( $FB_g$ ), private ( $FB_{ps}$ ) and external sectors ( $FB_{es}$ ). These are formally derived from simple national accounting identities. According to these the level of income (private and government income) is equal to private and public expenditure and the balance of trade, i.e.:

$$(1) Y = Y_p + Y_g = P_e + G + B$$

Subtracting in a sequential manner the level of government income and private expenditure from both sides of (1) we get:

$$(2) Y_p + Y_g - Y_g = P_e + G - Y_g + B$$

$$(3) Y_p - P_e = P_e - P_e + G - Y_g + B$$

$$(4) Y_p - P_e = G - Y_g + B \Leftrightarrow FB_{ps} = FB_g + FB_{es}$$

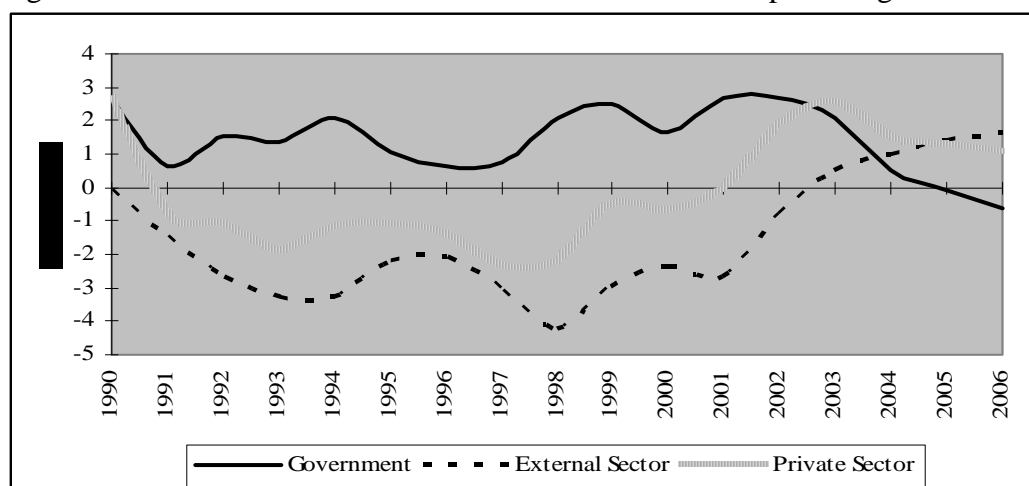
According to (4), the difference between the level of private income and expenditure ( $Y_p - P_e$ ) or the financial balance of the private sector ( $FB_{ps}$ ) is equal to the sum of the fiscal balance ( $G - Y_g$ ) or the financial balance of the government ( $FB_g$ ) and the balance of trade (B) or the financial balance of the external sector ( $FB_{es}$ ).

Figure 2 below plots the financial balances of the government, external and private sectors. It shows that during the period 2002-2006, the external sector and to a much lesser extent the private sector were the major contributors to the expansion of aggregate demand and economic growth. Between 2002 and 2003 the position of the external sector switched from a deficit to a surplus. The financial balance of the external sector equaled -0.8% of GDP in 2001 and 0.5% of GDP in 2002. The surplus increased thereafter reaching 1.7% of GDP in 2006.

For its part the private sector registered a surplus (positive savings) for the period 2002-2006. The surplus, which was equivalent to 1.8% of GDP in 2002 rose to 2.6% of GDP in 2003. However, thereafter the surplus and hence the level of savings of the private sector declined to 1.0% of GDP in 2006. The decline in savings contributed in part to stimulate the growth in aggregate demand.

Contrarily the government sector, by reducing its budget deficit significantly and eventually achieving a surplus, increased its level of savings reigning aggregate demand growth. On average, the government deficit shrank from -2.7% to -0.5% of GDP between 2002 and 2004. Thereafter it registered a surplus position that was equivalent to 0.6% of GDP in 2006.

Figure 2: Latin America. Financial balances. 1990-2006. In percentages of GDP.



Source: Own computations based on official data.

Countries	1980-1990	1991-2001	2002-2006	2002	2003	2004	2005	2006
Argentina	-2.5	-3.0	4.8	8.55	6.22	2.25	3.16	3.95
Bolivia	-5.3	-5.8	3.7	-4.45	0.94	3.85	6.55	11.51
Brazil	-1.9	-2.2	0.8	-1.51	0.76	1.76	1.61	1.22
Chile	-6.5	-2.6	0.8	-0.86	-1.30	1.66	0.59	4.04
Colombia	-2.6	-1.9	-1.3	-1.67	-1.14	-0.81	-1.48	-1.54
Costa Rica	-6.6	-3.9	-4.9	-5.09	-5.02	-4.28	-4.83	-5.04
Dominican R.	-4.4	-3.2	0.8	-3.69	6.35	5.67	-1.70	-2.53
Ecuador	-5.6	-2.3	-1.3	-5.10	-1.48	-1.73	0.55	1.21
El Salvador	-1.2	-1.7	-4.1	-2.83	-4.67	-4.00	-4.61	-4.46
Guatemala	-3.7	-4.8	-4.5	-5.31	-4.18	-4.42	-4.37	-4.34
Honduras	-6.4	-6.1	-2.8	-3.64	-3.78	-5.42	-0.81	-0.23
Mexico	-1.2	-3.7	-1.1	-2.17	-1.38	-0.98	-0.66	-0.32
Nicaragua	-24.8	-27.9	-15.9	-17.35	-15.87	-15.58	-16.47	-14.42
Panama	0.5	-4.5	-4.3	-0.78	-3.89	-7.49	-5.05	-4.19
Paraguay	6.6	-2.4	0.6	1.84	2.26	1.99	-0.31	-2.86
Peru	-5.3	-5.2	0.1	-1.86	-1.52	0.03	1.39	2.48
Uruguay	-1.6	-1.6	0.2	3.11	-0.52	0.32	0.01	-2.10
Venezuela, RB	2.9	2.5	14.2	8.18	14.12	13.80	17.63	17.21
Latin America	-1.9	-2.8	0.8	-0.81	0.50	0.99	1.41	1.73
South America	-2.2	-2.4	2.2	0.62	1.83	2.31	2.97	3.51
Central America	-7.1	-8.1	-6.1	-5.83	-6.24	-6.86	-6.02	-5.45

Source: On the basis of official data, IMF and World Bank Development Indicators (2008).

In line with the results at the aggregate level, the country case analysis shows that during the period 2002-2006, 14 out of 18 countries (that is 78% of the total) improved their external position with respect the 'lost decade' (1981-1990) and to the period

1991-2001. The countries include Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, México, Nicaragua, Paraguay, Peru, Uruguay and Venezuela.

Three out of the four remaining countries (Costa Rica, Guatemala and Panama) improved in the period 2002-2006 their external position only with respect to the previous period 1991-2001. For its part El Salvador is the only country that worsened its external result. Its current account reached -1.2%, -1.7% and -4.1% of GDP in the periods 1980-1990, 1991-2001 and 2002-2006 respectively (Table 2).

In a similar vein, the analysis of the fiscal performance at the country level also shows that most Latin American economies reduced their budget deficits during the period under study. A useful analytical tool to show the evolution and change in budgetary policy over time is the fiscal stance.

Following Godley and Cripps (1983), the fiscal stance (FS) is defined as the ratio between government expenditures (G) and government revenue (T) divided by GDP (or the average tax ratio). By logical construction, when the budget is balanced (i.e.,  $G=T$ ) the fiscal stance is equal to GDP. In this case the fiscal stance is neutral. When  $G>T$ , the fiscal stance is greater than GDP. In this case the fiscal stance is expansionary. When  $G<T$ , the fiscal stance is smaller than GDP. In this case the fiscal stance is contractionary.

In our computations we express the fiscal stance (FS) in GDP percentage deviation points from a balanced budget ( $G=T$ ) situation. In this way, at any point in time, the fiscal stance (FS) shows the extent to which a given fiscal policy is expansionary or contractionary relative to a balance budget position, measured in terms of percentage GDP points.

The evolution of the fiscal stance is, as expected, not homogeneous for all countries during the period 1990-2006. However, in the case of most countries (with the exception of Chile) as at the aggregate level, the fiscal stance is positive and increases during the sub-period 1995-2002. That is, in the case of all economies, with the exception of Chile, for the sub-period 1995-2002, the fiscal stance is expansionary and the more so over time.

Contrarily from 2002 onwards, the fiscal stance declines in all cases reflecting an adjustment in the government financial balances. The fiscal stance tends to zero (i.e., to a balanced budget position) in the cases of Bolivia, Colombia, Mexico, Nicaragua and Peru. The fiscal stance is negative (i.e., contractionary) in the cases of Argentina, Chile, Ecuador and Venezuela.

By the logic of the financial balances approach adopted in this paper, any difference between the external and government sectors (i.e., the difference between the external and government balances) must be necessarily reflected in the private balance. The private balance will be in a deficit position, indicating that the private expenditure exceeds income and that the private sector has negative savings, in three possible circumstances.

The first one is characterized by a negative financial balance of the external sector ( $B < 0$ ) that is greater than the positive balance of the government ( $G - Y_g > 0$ ). The second one is characterized by a positive financial balance of the external sector ( $B > 0$ ), which is smaller than the negative balance of the government ( $G - Y_g < 0$ ). The third circumstance refers to a situation where a negative external imbalance ( $B < 0$ ) coexists with a negative government financial balance ( $G - Y_g < 0$ ). These three circumstances are formally summarized below:

$$G - Y_g > 0, B < 0, \text{ and } |G - Y_g| < |B|$$

$$(5) Y_p - P_e = G - Y_g + B \Leftrightarrow Y_p - P_e < 0 \text{ if, } G - Y_g < 0, B > 0, \text{ and } |G - Y_g| > |B|$$

$$G - Y_g < 0, B < 0$$

The data presented in table 3 shows that only in a few cases were the financial balances negative on a consistent basis and thus acted as a stimulus on aggregate demand. These cases include mainly Central American countries (Costa Rica, El Salvador, Guatemala and Panama) and Chile.

Table 3 Latin America Balance of the private sector 1991-2006 (In percentage of GDP)							
	1990-2001 a/	2002-2006 a/	2002	2003	2004	2005	2006
Argentina	-1.01	4.23	9.14	5.98	0.28	2.78	2.98
Bolivia	-2.91	8.44	3.54	8.08	9.22	10.05	11.32
Brazil	-0.15	3.91	4.36	3.08	2.98	4.81	4.34
Chile	<b>-3.62</b>	<b>-1.73</b>	<b>0.38</b>	<b>-0.88</b>	<b>-0.45</b>	<b>-3.97</b>	<b>-3.70</b>
Colombia	1.10	3.22	3.22	3.58	3.45	3.33	2.52
Costa Rica	<b>-1.08</b>	<b>-2.46</b>	<b>-0.81</b>	<b>-2.16</b>	<b>-1.55</b>	<b>-2.73</b>	<b>-5.04</b>
Dominican R.	-3.00	3.17	-1.35	10.71	9.08	-1.08	-1.51
Ecuador	-1.89	-0.75	-4.36	-1.10	-0.75	1.04	1.43
El Salvador	<b>0.11</b>	<b>-2.43</b>	<b>0.29</b>	<b>-1.97</b>	<b>-2.88</b>	<b>-3.56</b>	<b>-4.02</b>
Guatemala	<b>-3.15</b>	<b>-2.88</b>	<b>-4.22</b>	<b>-1.58</b>	<b>-3.33</b>	<b>-2.65</b>	<b>-2.65</b>
Honduras	-1.94	0.69	1.12	1.83	-2.36	1.76	1.07
México	-3.44	0.16	-0.39	-0.28	0.04	0.09	1.33
Nicaragua	<b>-25.86</b>	<b>-14.07</b>	<b>-14.88</b>	<b>-13.03</b>	<b>-13.35</b>	<b>-14.63</b>	<b>-14.45</b>
Panama	<b>-2.01</b>	<b>-1.31</b>	<b>1.16</b>	<b>-0.11</b>	<b>-2.07</b>	<b>-1.13</b>	<b>-4.40</b>
Paraguay	-0.73	0.72	5.08	2.66	0.40	-1.14	-3.38
Peru	-2.16	0.98	0.26	0.22	1.28	2.09	1.04
Uruguay	0.43	3.07	7.96	4.07	2.80	1.65	-1.11
Venezuela	6.36	15.91	12.14	18.52	15.70	16.00	17.19
Note: a/ averages.							
Source: Own computations on the basis of official data							

In the case of Central American countries, this result is explained by a case where the negative financial balance of the external sector ( $B < 0$ ) is greater than the positive



balance of the government ( $G - Y_g > 0$ ). In turn, this is further explained by a loss in external competitiveness compounded by a reduction of their fiscal deficit. As mentioned above Costa Rica, El Salvador, Guatemala, and Panama either maintained or worsened the level of their external imbalance achieved in the period 1991-2001 (See above Table.2). At the same time all these countries managed to contract their fiscal stance.

In the case of Chile, the private sector balance is the reflection of a situation where the positive financial balance of the external sector ( $B > 0$ ) is more than offset by the negative balance of the government ( $G - Y_g < 0$ ). In other words, Chile reflects the coexistence of an improved external performance and a drastic fiscal adjustment.

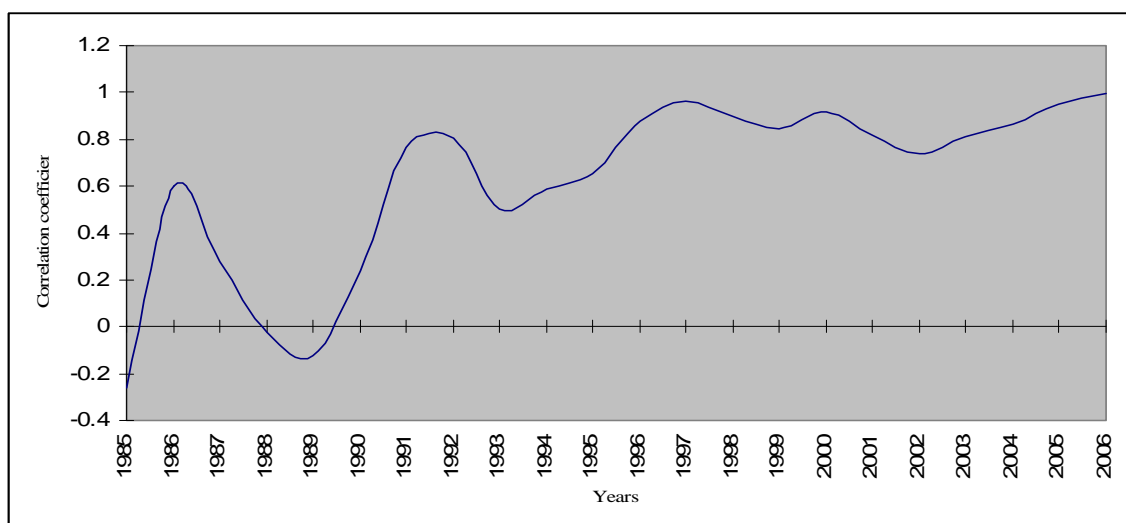
### The external sector performance

At the regional level the improved external performance for the 2002-2006 years is explained mostly by an improved position in the balance of trade and an increasing flow of remittances. The decomposition of the current account into its different components shows that the balance on trade and the balance on unilateral transfers are the only two items that yield a consistent positive balance since 2002. The services and the income balance for the region have yielded a negative result for every year since 1980 (see table 4). For the period 2002-2006, the balance of trade stood at 2.7% of GDP. For their part the balance on remittances reached a similar result (1.9% of GDP). Taken together both types of transactions managed (4.6% of GDP) to offset the deficits in the balance of services (-0.73% of GDP) and the income balance (-3.10% of GDP). As a result the overall current account was positive (0.75% of GDP).

Table 4 Latin America Main components of the current account of the balance of payments 1980-2006 (Averages in percentages of GDP)			
	1980-1990	1991-2001	2002-2006
Current account balance	-1.92	-2.75	0.75
Exports of Goods	12.91	13.54	21.67
Imports of Goods	-10.05	-13.80	-19.01
Balance of Trade	2.86	-0.25	2.66
Balance of goods and services	1.82	-1.16	1.94
Income balance	-4.25	-2.46	-3.09
Net unilateral transfers	0.52	0.87	1.90
Note: $\Delta$ discrete change between time period t and t-1. Source: On the basis of official data.			

The position in the balance of trade is mainly explained by the vibrant expansion in export of goods. In the period 2002-2006, the regional exports recorded an expansion of 8% percentage points of GDP with respect to the period 1991-2001 and reached a level equivalent to 21.67% of GDP. By contrast, imports of goods recorded a rise in 2002-2006 with respect to 1991-2001 of 5% percentage points of GDP.

Figure 3: Five year rolling correlation coefficient between goods exports in real terms and the terms of trade 1985-2006.



Source: Own computations on the basis of official data.

In turn, the evolution of exports was determined by the significant increase in the terms of trade (relative prices) and also greater external demand. The correlation coefficient between exports of goods and the terms of trade in real terms for the period 1985-2006 averages 0.5 during the 1990's decade and 0.88 in the period from 2002 to 2006 (Figure 3).

The terms of trade for Latin American exports of goods have experienced in the past five years the longest and most pronounced increase in four decades. Between 2002 and 2006, the terms of trade expanded by an average of 3.7%, and in the past three years, by 5.5%. Overall the export prices of Latin American products have more than doubled since 2002. The prices of the leading export commodities of Latin American economies such as crude petroleum and petroleum products, copper, soy beans, coffee and oil seed which represented a quarter of total exports of goods in 2005, increased by 143%, 123%, 26%, 104% and 40% respectively between 2002 and 2006. As a result on average the purchasing power of Latin American exports has risen by roughly 60% between 2002 and 2006.<sup>7</sup>

Asia's and in particular China's economic expansion have contributed in a significant way to boost international commodity prices and in particular those of oil, steel, aluminum, and copper, to reach record levels around the world. Available evidence for the period 1990-2006 shows that China's share of world consumption of oil, coal, iron ore, aluminum, copper and nickel has steadily increased. In addition, the evidence indicates that in 2006, China's consumption accounted to roughly one third of world coal, iron ore, aluminum consumption and roughly one a quarter of world copper consumption (Table 5). In other words, the exceptional Chinese performance, which is tied to the symbiotic relation with American markets insatiable appetite for Chinese goods, is behind the positive terms of trade shock that has allowed the current Latin American expansion.

<sup>7</sup> See ECLAC (2007). It is important to notice that a more depreciated exchange rate allows for countries to take advantage of positive terms of trade shocks. For example, the appreciated real exchange rate has had a negative effect in Brazil and Mexico. See Frenkel and Taylor (2006).

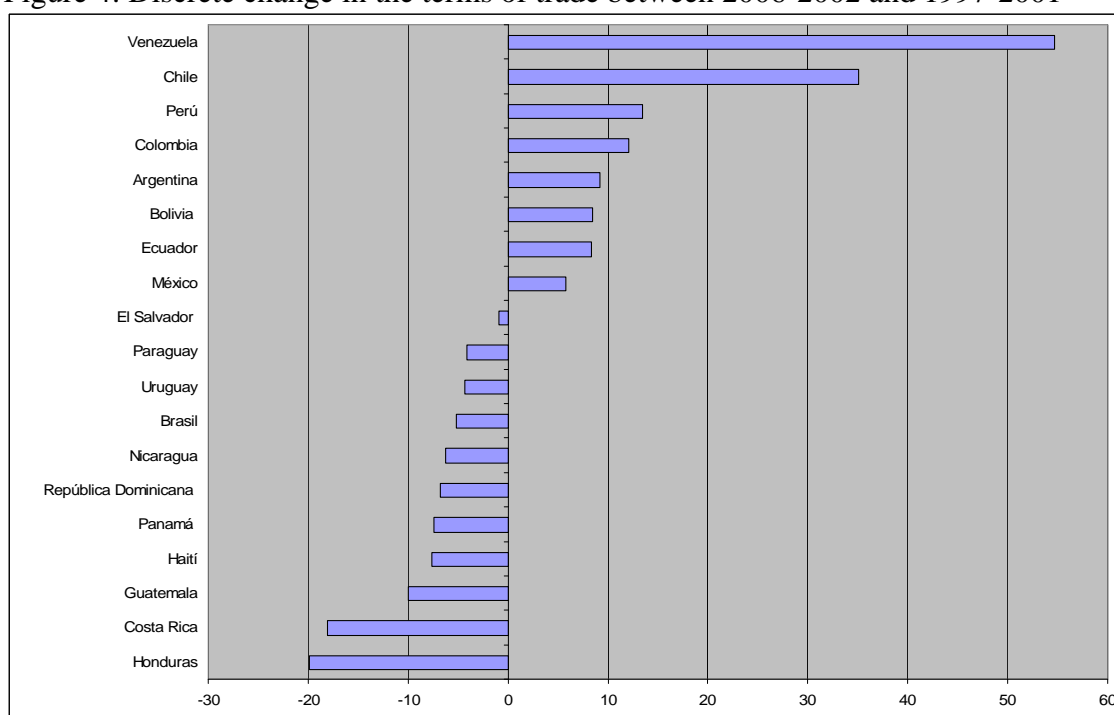
Table 5 Share of China's consumption in selected commodities as percentage of world total 1990-2006				
Share of China	1990	1995	2000	2006
Crude oil a/	3.60	5.20	6.30	9.00
Coal a/	23.70	30.40	28.20	38.60
Iron Ore b/	...	10.00	15.00	44.00
Aluminum b/	...	10.00	13.50	25.00
Copper b/	...	10.00	13.00	23.00
Nickel b/	...	4.50	5.00	17.00
Soy c/	...	3.10	1.86	18.65

Note: ... denotes not available.

Sources:  
a/ BP. Statistical Review of World Energy (2007). UNCTAD (2003) Commodity Yearbook.  
b/ Hunt, G. UBS. Basic Materials Conference. BHB Billiton. Growth through optionality (2007). UNCTAD (2003) Commodity Yearbook.  
c/ United States Department of Agriculture. Foreign Agricultural Service (2008)

However, the analysis at the country level shows that not all Latin American economies have benefited from the commodity price boom.<sup>8</sup> As a matter of fact only a minority of economies actually benefited from the improved world prices for primary commodities, and several were left out.

Figure 4: Discrete change in the terms of trade between 2006-2002 and 1997-2001



Source: Own computations based on official data and UNCTAD (1997-2006).

<sup>8</sup> See also Ocampo (2007).

A comparison between the ‘commodity boom period,’ that is 2002-2006 and the five preceding year period, that is 1997-2001, show that in fact that on average the terms of trade improved for seven out of nineteen Latin American economies, that is for 37% of the total. The economies for which the terms of trade improved include Argentina, Bolivia, Chile, Colombia, Mexico, Peru and Venezuela. For the rest of the economies or for 67% of the total the terms of trade actually deteriorated (See, Figure 4).

The fact that at the country level higher commodity prices have resulted in improved terms of trade for a minority of Latin American economies begs for an explanation. At a closer inspection, the analysis reveals that the countries that benefited from the ‘commodity price boom’ have two common characteristics. First, they export mainly commodities, and second, they also export petroleum products.

Table 5 shows the ten leading traditional Latin American exports products on a country-by-country basis for 1995 and 2005, classified by major categories. The categories include food and agriculture, beverages, oils and seeds, raw materials, mining and energy. The data show their exports composition has not changed over time. Rather, most of these economies have intensified their commodity export specialization. The ten major commodity exports accounted on average for 56% of the total, for the set of countries that benefited from the ‘commodity price boom,’ and it increased to 61% in 2006.

In the case of Venezuela, a country mainly specialized in petroleum products, petroleum products and natural gas exports account for more than 90% of the leading export products. For Ecuador, petroleum products account for half of its main exports. In the cases of Bolivia, Colombia and Argentina, petroleum products and natural gas exports represent roughly between 30%-40% of all leading export products. Finally, in the cases of Mexico and Peru, the leading export share of petroleum products and natural gas ranges between 12% and 20% (Figure 5).

Finally the case of Mexico’s stands out, as its export share of traditional commodities is very low. Benefiting from its proximity to the United States and the NAFTA provisions, Mexico has specialized in the export of products related to in-bond industries and more recently on the export of vehicles.

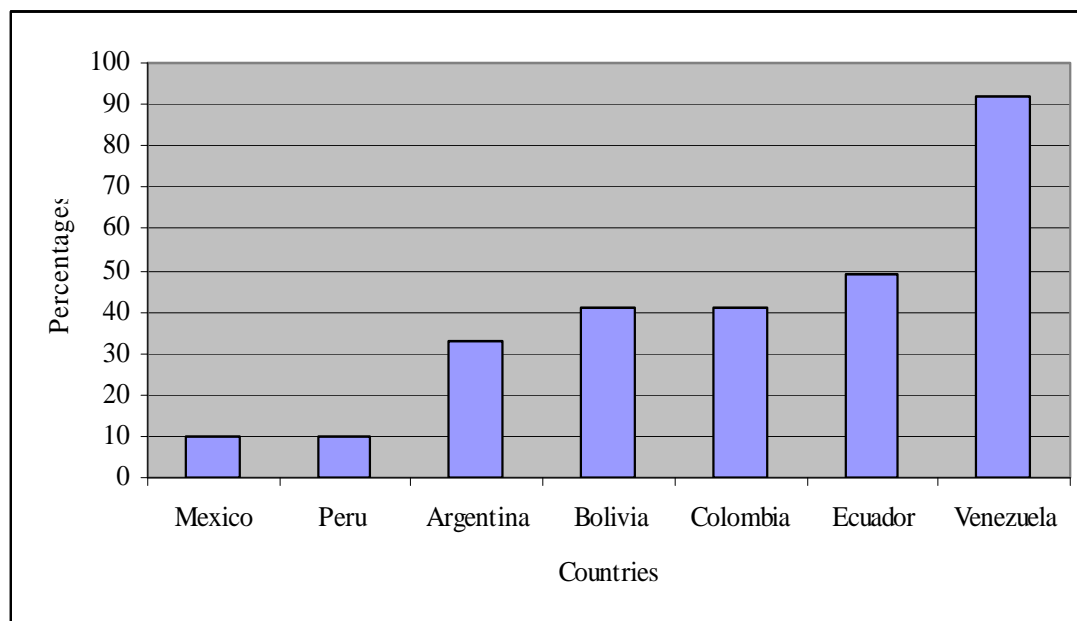
Table 6  
Latin America (Selected countries)  
Export share of the ten leading products  
1995-2006 (In percentages)

	Food and Agriculture		Beverages		Oil and seeds		Raw materials		Mining		Energy		Total traditional Leading exports		Other traditional exports		Total	Total
	1995	2006	1995	2006	1995	2006	1995	2006	1995	2006	1995	2006	1995	2006	1995	2006	1995	2006
Argentina	18.0	9.5			17.4	21.0				2.9	7.6	16.2	43.0	49.6	0.0	0.0	43.0	49.6
Bolivia		2.6			7.3	11.5			38.3	16.7	11.9	46.3	57.5	77.1	13.0	2.4	70.5	79.5
Brazil	7.3		4.2	2.1	4.4	6.9	3.5		8.2	6.2		7.6	27.6	22.8	6.2	11.7	33.8	34.5
Chile	10.7	6.8					6.8	2.7	45.7	52.3		2.0	63.2	63.8	1.5	4.1	64.7	67.9
Colombia	22.2	9.4							7.4	14.5	21.4	26.1	51.0	50.0	13.5	13.0	64.5	63.0
Ecuador	39.8	21.3	6.2	1.2	0.0	1.2			2.2		35.1	56.9	83.3	80.6	1.8	4.7	85.1	85.3
Paraguay	40.7	33.9			29.8	44.7							70.5	78.6	7.9	2.1	78.4	80.7
Perú	13.3	7.1	5.3						38.0	49.3	5.0	7.2	61.6	63.6	0.0	5.8	61.6	69.4
Uruguay	36.3	42.8										4.4	36.3	50.2	15.4	5.6	51.7	55.8
Venezuela									3.9	2.3	76.3	87.2	80.2	89.5	4.9	3.5	85.1	93.0
Costa Rica	34.4	14.5	15.5	3.5									49.9	18.0	5.3	37.2	55.2	55.2
El Salvador	10.4	7.1	37.7	9.9								2.9	48.1	19.9	11.3	21.6	59.4	41.5
Guatemala	23.2	16.8	28.1	13.8		3.0					1.7	6.7	53.0	40.3	7.1	13.3	60.1	53.6
Honduras	34.8	17.2	28.6	17.5		3.0			2.2				65.6	37.7	8.5	19.4	74.1	57.1
Nicaragua	32.2	45.5	23.5	15.1						5.3			55.7	65.9	15.7		71.4	65.9
Panamá	58.6	75.1	5.8						3.2				67.6	75.1	7.1	2.2	74.7	77.3
México											9.3	13.2	9.3	13.2	33.5	35.2	42.8	48.4

Note: The blank cells indicate that the export value corresponding to a given commodity group is equal to zero.

Source: Own computations based on ECLAC (2007)

Figure 5: Export share of petroleum products and natural gas in total leading export products (In percentages). 2002-2005 (averages).



Source: Own computations based on ECLAC (2007).

Note that an analysis of the set of countries that were adversely affected by the terms of trade present a mixed picture. A first subset of countries (Paraguay, Uruguay, Panamá and Nicaragua) is highly specialized in the export of traditional commodities and has strengthened its pattern of specialization over time. For this group of countries, the ten major leading commodities represented 64% and 71% of total exports of goods in 1991 and 2006. A second group of countries, mainly Central American countries (Costa Rica, El Salvador, Guatemala, Honduras) have markedly decreased their degree of specialization in primary commodities (54% and 29% of the total). These countries have switched to the export of textiles.

The evidence presented in this section has an important implication for the analysis and understanding of the effects of the ‘commodity price boom’ on Latin American economies. On the one hand, the terms-of-trade of these economies have been favorably affected by the increase in the prices of the commodities they export. On the other hand, since with the exception of Mexico and Venezuela, these economies are also petroleum importers and exporters, they have been able to compensate to a certain extent the adverse effect on the terms-of-trade caused by the increase in the price of oil that has had such a negative effect on the other Latin American economies. Thus the highly positive effect of the ‘commodity boom’ on these countries’ economies reflects these two factors.

### **Emigration and Remittances**

In the case of Latin American economies, remittances that are formally reported increased from US\$ 2 to 59 billion dollars between 1980 and 2005 (Figure 6) or from

0.23% to 2% of regional GDP for the same period. The importance of remittances is particularly visible since the year 2001.<sup>9</sup>

Figure 6: Latin America. Net Unilateral Transfers. 1980-2006. US\$ billion Dollars

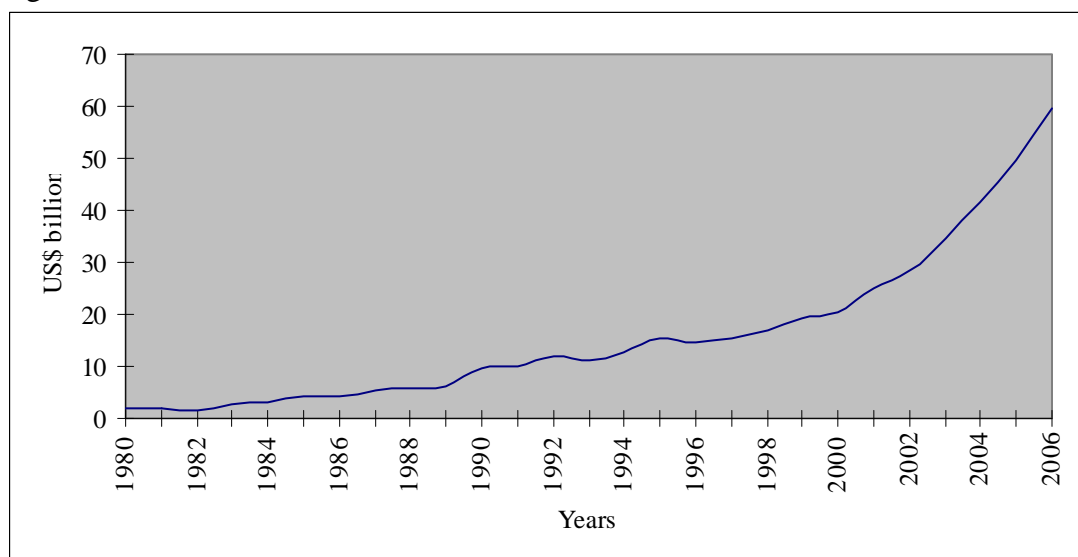
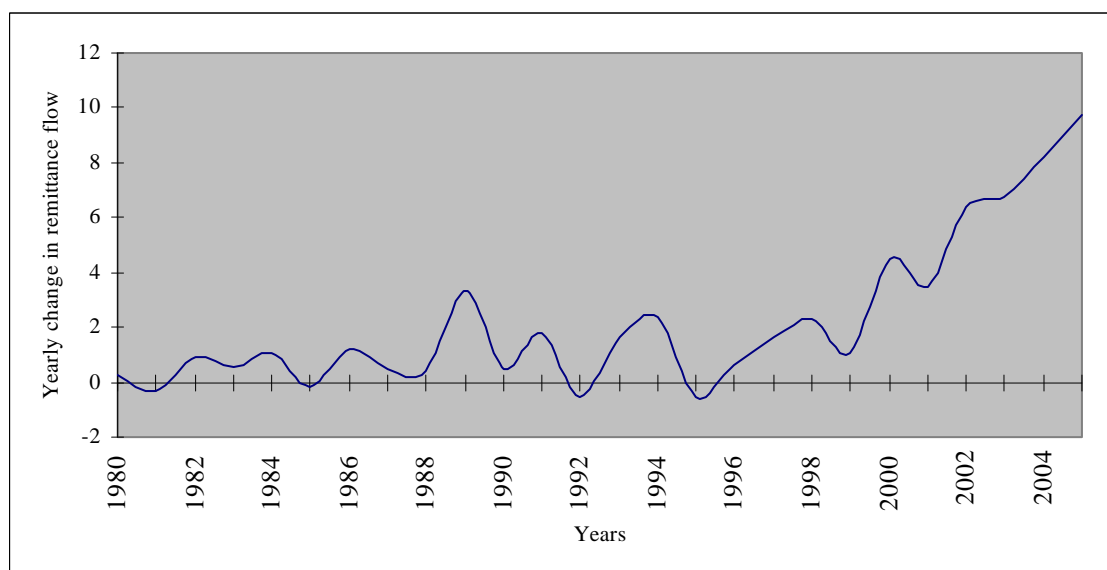


Figure 7: Latin America. Discrete year-to-year change in net unilateral transfers. 1980-2006. US\$ billion Dollars



Source: Own computations on the basis of official information.

Between 1980 and 2000, the year-to-year discrete change in remittance flows averaged roughly 1 billion dollars and fluctuates without any clear trend ranging between 0 and 2 US\$ billion dollars. Between 2001 and 2006, the change in remittance flows averaged US\$ 6.5 billion. In addition, the change in the remittance flow shows a clear upward trend increasing from US\$ 4.5 to 9.7 billion between 2001 and 2006 (See Figure 7). Around 25% of global remittances, close to US\$ 40 billion, are directed to Latin America, which makes the region the number one recipient in the world (FLACSO, 2006).

<sup>9</sup> This estimate however significantly underestimates the volume if formal and informal distribution channels are considered.

The flow of remittances may be explained by the good performance of developed countries in the period 2002-2006. However, most analyses indicate that the significant rise in remittances is explained by the rising flow of illegal immigration.<sup>10</sup> According to the Census Bureau the number of illegal Mexicans in the US increased in more than a million from 2000 to 2005, an increase of 25%, bringing the total to almost 6 millions. In the case of El Salvador, the numbers are even more dramatic, with an estimated 470 thousand illegal immigrants in the US, corresponding to almost 9% of the total population of the country. It is important to note that immigrants tend to be working age adults, and to be relatively educated. For example, in the case of Ecuador 20% of the labor force emigrated, and of those 64% of the males and 73% of the females have at least secondary education (FLACSO, 2006).

Remittances play an important role for Latin American economies and there are different facets to their use and function. In the case of Latin America as remittances can represent between 50% and 80% of recipient income, they can constitute an important tool for improving infrastructure, raising educational levels and financing productive activities. However, the evidence suggests that the vast majority of remittances are used for everyday consumption. In the case of Ecuador, 70 and 75% of the remittances sent by males and females respectively are used to food, rent and other domestic expenses, with only 12 and 7% for health expenses (FLACSO, 2006). The amount used for investment and education is negligible.

The most important aspect of remittances for the purposes of this paper is that of narrowing in the short and perhaps medium run the external financing gap. At the aggregate level for Latin America remittances have managed to narrow the current account gap by 0.56%, 0.91% and 1.9% percentage point of GDP between 1980-1990; 1991-2001 and 2002-2006 respectively. More to the point, had it not been for the increased flow of remittances in the period 2002-2006, Latin America's current account would not have been in surplus. Rather, when the current account adjusted for remittances, its result is negative and of the order of -1.1% of regional GDP (Figure 9).

The data at the country level for the same period shows that in most cases remittances were a factor that helped to improve the external position of most Latin American economies, in particular during the last period under consideration (2002-2006). However, the role of remittances was by far more significant in the cases of those economies that did not benefit from the rise in the terms of trade.

Tables 7 and 8 show the current account, the current account adjusted for remittances and the contribution of remittances to the current account, all expressed in terms of GDP, for those economies that registered an increase in the terms of trade and those that recorded a decline in the terms of trade respectively.

---

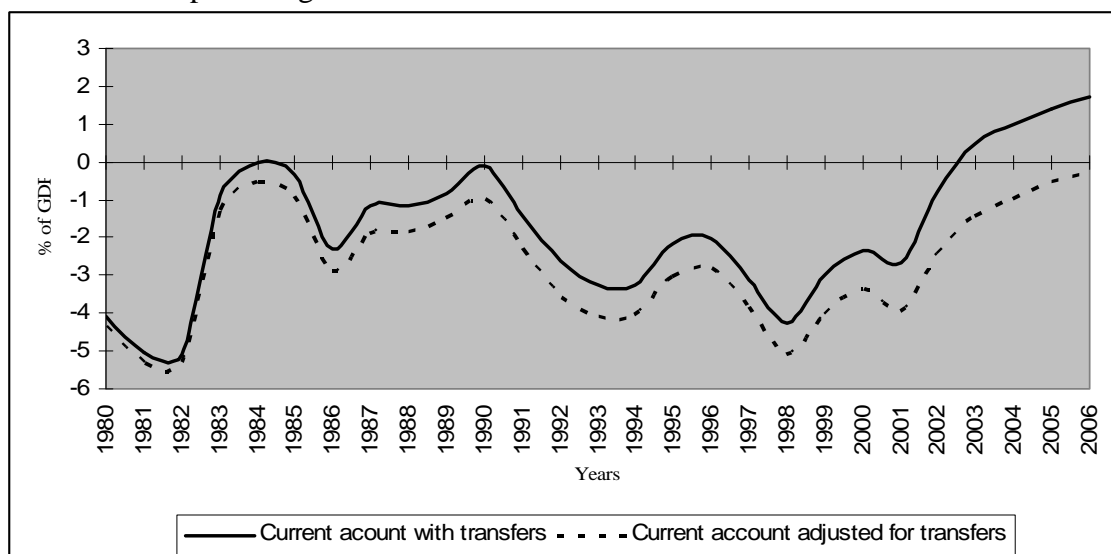
<sup>10</sup> The total international formally reported migration stock in Latin America has remained between 5 and 6 million people since the 1960's decade (Solimano and Allende, 2007). On illegal immigration see Porter (2008) and Ohlemacher (2008).



Table 7 – Latin America (Countries that experienced favorable terms-of-trade effects) Current account adjusted for remittances and contribution of remittance to narrow the external gap 1980-2006			
	1980-1990	1991-2001	2002-2006
Argentina			
Current account	-2,52	-2,98	4,83
Current account adjusted for remittances	-2,59	-3,19	4,44
Contribution of remittances to the current account	0,07	0,22	0,38
Bolivia			
Current account	-5,30	-5,73	-5,87
Current account adjusted for remittances	-7,28	-7,90	-8,38
Contribution of remittances to the current account	1,98	2,17	2,51
Chile			
Current account	-6,50	-2,60	0,82
Current account adjusted for remittances	-7,08	-3,29	-0,43
Contribution of remittances to the current account	0,58	0,68	1,25
Colombia			
Current account	-2,56	-1,85	-1,33
Current account adjusted for remittances	-4,05	-3,72	-4,65
Contribution of remittances to the current account	1,49	1,87	3,32
Ecuador			
Current account	-5,58	-2,32	-1,31
Current account adjusted for remittances	-6,19	-5,83	-7,77
Contribution of remittances to the current account	0,60	3,50	6,46
Peru			
Current account	-5,31	-5,20	0,10
Current account adjusted for remittances	-6,11	-6,83	-1,97
Contribution of remittances to the current account	0,80	1,64	2,07
Venezuela, RB			
Current account	2,95	2,47	14,19
Current account adjusted for remittances	3,37	2,69	14,25
Contribution of remittances to the current account	-0,42	-0,22	-0,06
Mexico			
Current account	-1,21	-3,66	-1,10
Current account adjusted for remittances	-2,17	-4,85	-3,46
Contribution of remittances to the current account	0,96	1,19	2,36
Average			
Current account	-3,13	-2,56	0,71
Current account adjusted for remittances	-3,76	-3,87	-0,95
Contribution of remittances to the current account	0,69	1,26	2,12
Source: Own computations based on official data and World Bank Development Indicators (2008)			

Table 8 – Latin America (Countries that experienced unfavorable terms-of-trade effects) Current account adjusted for remittances and contribution of remittance to narrow the external gap 1980-2006			
	1980-1990	1991-2001	2002-2006
Costa Rica			
Current account	-6.64	-3.87	-4.85
Current account adjusted for remittances	-9.22	-5.07	-6.08
Contribution of remittances to the current account	2.57	1.20	1.23
Dominican Republic			
Current account	-4.43	-3.22	0.82
Current account adjusted for remittances	-8.83	-11.89	-10.55
Contribution of remittances to the current account	4.40	8.67	11.37
El Salvador			
Current account	-1.21	-1.70	-4.11
Current account adjusted for remittances	-10.06	-15.70	-19.98
Contribution of remittances to the current account	8.85	14.01	15.86
Guatemala			
Current account	-3.75	-8.65	-4.52
Current account adjusted for remittances	-5.25	-6.70	-14.99
Contribution of remittances to the current account	1.51	1.95	10.47
Honduras			
Current account	-6.36	-6.12	-2.78
Current account adjusted for remittances	-9.99	-14.23	-23.26
Contribution of remittances to the current account	3.64	8.11	20.48
Nicaragua			
Current account	-24.84	-27.89	-15.94
Current account adjusted for remittances	-30.32	-37.95	-30.78
Contribution of remittances to the current account	5.48	10.05	14.84
Panama			
Current account	0.48	-4.45	-4.28
Current account adjusted for remittances	-1.64	-6.53	-5.98
Contribution of remittances to the current account	2.13	2.08	1.70
Paraguay			
Current account	...	-2.35	0.58
Current account adjusted for remittances	...	-4.12	-2.33
Contribution of remittances to the current account	...	1.77	2.91
Uruguay			
Current account	-1.56	-1.61	0.16
Current account adjusted for remittances	-1.73	-1.89	-0.61
Contribution of remittances to the current account	0.17	0.29	0.77
Average			
Current account	-6.04	-6.65	-3.88
Current account adjusted for remittances	-9.63	-11.57	-12.73
Contribution of remittances to the current account	3.59	4.91	8.85
Source: Own computations based on official data and World Bank Development Indicators (2008)			

Figure 8: Latin America. Current Account with transfers and adjusted for transfers. 1980-2006. In percentage of GDP.



Source: Own computations based of ECLAC (2007) and World Bank Development Indicators (2008).

For the first group the contribution of remittances to the narrowing of the external gap increased from 0.69% to 2.12% percentage points of GDP between the period 1980-1990 and 2002-2006. For the second group of countries, that is for those countries that suffered adverse terms-of-trade effect, the contribution of GDP increased from 4%, to 5% and 9% percentage points of GDP in the same periods.

If the balance of payments constraint is the main limitation to the expansion of demand in developing countries, as argued by Latin American structuralists and Post Keynesian authors, it is clear that remittances have become in the last cycle of expansion central to the ability to reduce this particular constraint in the region. In other words, one of the pillars of the current account sustainability, particularly in countries that did not have a positive terms-of-trade shock, is the process of emigration.

### **The contribution of financial flows to Latin America's growth performance**

The above analysis cannot be complete without incorporating the role of financial flows in the explanation of the current economic performance of Latin America. To this end, table 9 below shows the net resource transfer of Latin America at the national and regional level.

The data show that during the 'commodity boom' period, Latin America in the aggregate has not been a net receptor of financial flows. To the contrary, during the period 2002-2006, Latin America has in fact transferred resources to the rest of the world, and the transfer of resources is equivalent 1.6% of regional GDP. It is interesting to note that the transfer of resources during this 'boom period' is more than twice as high as the transfer of resources during the 'lost decade' period which reached -0.67% of regional GDP, which followed the debt crisis of 1982.

The analysis at the country level indicates that the group of Latin American countries that are the 'financial resource suppliers' to the rest of the world include most

of those specializing in the export of commodities, that is (Argentina, Bolivia, Chile, Colombia, Peru, Venezuela). The commodity exporting countries transferred a flow of resources to the rest of the world equivalent to 5% of their GDP.

Table 9 Latin America Net resource transfer 1980-2006 (In percentage of GDP)			
	1980-1990	1991-2001	2002-2006
Argentina	-3.09	1.29	-8.27 (-5.24) a/
Bolivia	-0.88	3.89	-3.61
Brazil	-2.12	0.51	-2.83
Chile	-0.29	0.37	-8.71
Colombia	-1.08	0.15	-1.77
Costa Rica	1.01	1.08	4.70
Dominican Republic	0.28	-1.25	-7.35
Ecuador	-4.01	-3.69	-3.99
El Salvador	-0.75	1.25	1.26
Guatemala	1.39	5.02	4.62
Honduras	-0.05	3.99	3.56
Mexico	-3.11	1.47	0.11
Nicaragua	14.88	15.62	14.35
Panama	-4.97	1.37	-1.82
Paraguay	...	2.99	0.93
Peru	-1.02	3.27	-3.20
Uruguay	-1.99	1.75	-2.69
Venezuela, RB	-5.64	-3.84	-13.90
Average Latin America	-0.67	1.96	-1.59
Average group of countries favorable affected by terms-of-trade	-2.36	0.38	-5.13
Average group of countries unfavorable affected by terms-of-trade 1	1.23	3.54	1.95
a/ The -5.24 figure for Argentina excludes the 2001-2002 financial crisis. Source: Own computations on the basis of World Bank Global Finance Development data base and World Development Indicators (2008)			

The countries that were adversely affected by the terms of trade were net financial flow receptors. Financial flows for these countries averaged 1.95% of their GDP, on average, for the years 2002-2006. However, while above that registered during the 'lost decade' (1.23%) this figure was roughly half below that recorded during the period 1991-2001. In other words, countries that did not benefit from improved terms of trade received 'finance' but received much less than a decade earlier.

### **An econometric analysis**

The relationships between GDP growth, the evolution of the terms-of-trade, remittances and financial flows were further examined through the use of the Generalized Method of Moments (GMM) for dynamic panel data applied to the subsets of countries that did and did not experience an increase in their terms-of-trade. The estimations were carried

out for the periods 1980-2006, 1990-2006, and for the period 2003-2006 which constitute the main focus of this paper.

The choice of technique responds to three types of considerations. First, the rate of growth may exhibit inertia and as a result should be modeled as dependent on its past values. Second, the explanatory variables may be endogenous. To control for reverse causality, the variables should be determined simultaneously. The GMM technique proposed by Arellano and Bond (1991) consists in taking the first differences of a model that allows for the existence of a  $k$  number of lags of the dependent variable. To control for the possible correlation between the dependent variable and the error term, Arellano and Bond propose the use of the past value of the dependent variable and of the explanatory variables as instruments.

The GMM estimator produces unbiased and consistent estimates of the regressors as long as the instruments identified are valid instruments. To this end the econometric estimation should meet two conditions. First, the error term should not be correlated so that the estimates are not biased. Second, the explanatory variables must be weakly exogenous (or which is the same thing be valid instruments). Both of these conditions are addressed through the Sargan test.

The results of the dynamic panel data analysis are shown in tables 10 and 11 corresponding to the subset of countries that experience an increase in their terms-of-trade and those that did not experience an increase in their terms-of-trade respectively.

<p>Table 10 Latin America Estimation of the rate of per capita GDP growth for the subset of countries that did experience an increase in their terms-of-trade on its past value, financial flows, remittances and terms-of-trade Panel Generalized Method of Moments 1980-2006</p>			
	1980-2006	1990-2006	2003-2006
GDP (-1)	0.20 (0.72)	0.10 (0.38)	0.03 (0.54)
Financial flows	2.28** (1.44)	0.59 (0.25)	1.74 (1.24)
Remittances	-2.64 (-0.76)	-3.51 (-0.52)	-2.29 (-1.08)
Terms of Trade	-0.03 (-0.17)	-0.02 (-0.07)	0.38* (2.17)
Number of observations	208	136	32
Sargan Test (p-value)	0.52	0.66	0.35
<p>Note: t-statistics are in parenthesis. * denotes significant at the 95% and 90% levels of confidence respectively. The countries included in this group comprise Venezuela, Chile, Peru, Colombia, Argentina, Bolivia, Ecuador, México)</p>			

<p>Table 11 Latin America Estimation of the rate of per capita GDP growth for the subset of countries that did not experience an increase in their terms-of-trade on its past value, financial flows, remittances and terms-of-trade Panel Generalized Method of Moments 1980-2006</p>			
	1980-2006	1990-2006	2003-2006
GDP (-1)	0.08 (0.68)	0.26* (5.32)	0.35* (6.75)
Financial flows	-0.42* (-1.49)	0.09 (0.61)	0.34* (1.91)
Remittances	0.03 (0.02)	-0.24 (-0.81)	0.54* (1.64)*
Terms of Trade	-0.03 (-0.32)	0.05** (1.39)	-0.15 (-0.80)
Number of observations	234	153	36
Sargan Test (p-value)	0.25	0.25	0.52
<p>Note: t-statistics are in parenthesis. * and ** denote significant at the 95% and 90% levels of confidence respectively. The countries included in this group comprise El Salvador, Paraguay, Uruguay, Nicaragua, Dominican Republic Panama, Guatemala and Honduras.</p>			

The results obtained through the GMM estimation procedure show that in all cases the p-value of the Sargan test does not reject the null hypothesis of the validity of the over-identifying restrictions. More importantly, the sign and significance of the variables used for both subsets of countries corroborates the analysis undertaken in the previous sections.

The terms-of-trade variable is statistically significant at the 5% level, only for the country-group that experienced an increase in the terms of trade and for the period 2003-2006 (Table 10). According to the coefficient estimates obtained, a 1% variation in terms-of-trade results in a variation of 0.38% in per capita GDP growth. Also for this subset of countries, as postulated previously and with one exception (that of financial flows for the period 1980-2006), financial flows and remittances are not statistically significant in any of the periods considered.

Contrarily, in the case of the countries that did not experience an increase in the terms of trade (Table 11); the remittance variable is statistically significant for the period 2003-2006. According to the results presented, a 1% percent variation in remittances translates into a 0.54% variation in per capita GDP growth. Also, as expected, financial flows are statistically significant for this set of countries. Nonetheless the impact of a percentage change in financial flows is smaller than that of remittances (the respective coefficient are 0.34 and 0.54 respectively).

#### **In guise of conclusion: back to the peripheral integration to the world economy**

Even though some left of center governments have tried to implement alternatives to the Washington Consensus, the Latin American economic expansion since 2002 does not

result from specific government policies.<sup>11</sup> There has been, in certain aspects, a break with the neoliberal policies. For example, in Bolivia, Ecuador, and Venezuela national governments took over the hydrocarbon sector. Venezuela has also nationalized other key industries, including steel, electricity, telecommunications, going against the privatization mantra of the Washington Consensus. Also, monetary and exchange rate policy in Argentina and Venezuela has definitely departed from neoliberal orthodoxy.

Yet, the empirical evidence suggests that the good economic performance of the last 6 years is increasingly and strongly correlated either with a positive terms-of-trade shock, mostly in South America, or with the increase in the flow of remittances, particularly in Central and North America. The current economic boom shares with the old agro-export model of the 19<sup>th</sup> and early pre-WWII 20<sup>th</sup> century the fact that the dynamic element is external demand, and, as a result, subject to the same risks associated with external shocks. Also, as occurred in the agro-export model, financial factors shape and determine the pattern of productive specialization in Latin America.

There is, however, an important difference with the development model of the *Belle Époque* or the early pre-WWII 20<sup>th</sup> Century. While immigration was integral to the late 19<sup>th</sup> century boom, and as noted above migration policies could hardly be implemented at the beginning of the 20<sup>th</sup> Century, the 21<sup>st</sup> century economic boom has been related for some economies to significant emigration. Latin America now exports commodities and people. The current development model applies the logic of integration into international markets to its full extent and perfects the old agro-export model. As a result, Latin America specializes in the exports of its abundant factors, natural resources and labor.

The authors of this paper do not believe that Latin America is condemned to live in the past, and trust that an alternative development strategy is possible. This would require the recovery of the capacity and willingness of the State to invest, the utilization of industrial, commercial and exchange rate policies to stimulate export diversification, and more space for macroeconomic policies to promote the expansion of domestic markets. The rejection of the Washington Consensus by most Latin American governments is unfortunately more a question of rhetoric than of reality. In today's Latin America the Washington Consensus has been taken to its full fruition, even by governments professing a radically opposite political discourse.

## References

Arellano, M and S. Bond (1991), "Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment equations," *Review of Economics and Statistics*, 58, pp. 337-341

BP (2007), *Statistical Review of World Energy*. <http://www.bp.com>

Cypher, J. (2007), "Shifting Developmental Paradigms in Latin America: Is Neoliberalism History?" In E. Pérez Caldentey and M. Vernengo (eds.), *Ideas, Policies and Economic Development in the Americas*. London and New York: Routledge.

---

<sup>11</sup> There has been an expansion of social spending, without changing the fiscal stance though, and in some cases, like Argentina and Venezuela, monetary and exchange rate policies have been more expansionary.

- Eatwell J. and Taylor L. (2000), *Global Finance at Risk*. The New Press: New York.
- ECLAC (2007), *Statistical Yearbook for Latin America and the Caribbean*. Santiago: ECLAC.
- ECLAC (2005), *Cuadernos Estadísticos, Series regionales y oficiales de cuentas nacionales, 1950-2002*. Santiago: ECLAC.
- FLACSO (2006), *Ecuador: Las cifras de la migración internacional*. Quito, Ecuador.
- Frenkel, R. and Taylor, L. (2006), “Real Exchange Rate, Monetary Policy and Employment,” DESA Working Paper, No 19.
- Godley, W. (2000), “Seven Unsustainable Processes. Medium-term Prospects and Policies for the United States and the World. Strategic Analysis,” The Levy Economics Institute of Bard College.
- Godley, W. and Cripps, F. T. (1983), *Macroeconomics*. London: Oxford University Press.
- Hunt, G. (2007), *BHP Billiton. Growth through optionality*. UBS Basic Materials Conference.
- IMF (2008-2000), *International Financial Statistics*. Several Issues. Washington D.C.: IMF.
- Kregel, J (2007), “Nurkse and the Role of Finance in Development Economics,” The Levy Institute of Bard College. Working Paper No.520.
- Ocampo, J.A. (2007), “The Macroeconomics of the Latin American Economic Boom,” *CEPAL Review*, No.93. pp.7-28.
- Ocampo, J.A. (2004), “La América Latina y la economía mundial en el largo siglo XX,” *El Trimestre Económico*, Vol. LXXI (4), pp.725-786.
- Ohlemacher, S. (2008), “Number of Illegal Immigrants Hits 12M,” 7 March, 2008. <http://www.breitbart.com>
- Pérez Caldentey, E. and Vernengo, M. (2008), “A Tale of Two Monetary Reforms: Argentinean Convertibility in Historical Perspective,” *Studi e Note di Economia*, XII(2), Agosto, pp. 139-70.
- Porter, E. (2008), “Flow of immigrants’ Money to Latin America Surges,” October, 2006, <http://www.nytimes.com>
- Solimano, A. and Allende, C. (2007), “Migraciones Internacionales, remesas y el desarrollo económico: La experiencia Latinoamericana,” *Macroeconomía del Desarrollo* 59. División de Desarrollo Económico. Santiago: CEPAL.
- UNCTAD (2003), *Commodity Yearbook*. <http://r0.unctad.org>



UNCTAD (2003), *Trade and Development Report*, 2003. New York: UNCTAD.

United States Department of Agriculture Foreign Agricultural Service (2008),  
[www.fas.usda.gov](http://www.fas.usda.gov).

World Bank (2008), *World Bank Development Indicators*. Washington., D.C.

World Bank (2008), *Global Finance Indicators*. Washington., D.C.