

GENEVA'S WORKSHOP ON THE ECONOMIC HISTORY OF LATIN AMERICA

29 AUGUST 2014

Room: M1130; Unimail

University of Geneva

PROVISIONAL PROGRAM

9.15 Welcome remarks, by Mary O'Sullivan (Director of the Department of Economic History, University of Geneva) and Juan H. Flores (University of Geneva)

9.30 -11.00 – Session 1: Chair - Alfonso Herranz (UB)

"The Mexican Debt Crisis Revisited: Interbank Markets, Foreign Borrowing and Financial Crisis, 1977-1982"

Sebastian Alvarez (UNIGE)

Abstract

The international banking crisis that began in 2007 has brought to the foreground the relationship between banks' international activities and financial crises. Domestic banks' growing reliance on foreign interbank funding has been recognized as a crucial factor in explaining the banking and sovereign debt crisis currently affecting several European peripheral countries. This paper shows that the link between financial crises and international interbank lending is not a new phenomenon since a similar trend can be observed in the Mexico's banking sector during the run-up to its debt crisis of 1982. I explore the international activities of Mexico's domestic banks in the years preceding the country's default and show how they became highly involved in international lending which was funded largely through heavy short-term interbank foreign borrowing. I provide new archival evidence that shows that, in intermediating foreign finance with local public and private borrowers, Mexican banks incurred maturity, interest rate and currency mismatches that would eventually threaten the domestic financial system with bankruptcy. The paper provides significant new insights for understanding the Mexican debt crisis as closely intertwined with liquidity and solvency problems in the domestic banking sector, problems that were in turn linked to its involvement in the international financial system.

Discussant: Marc Flandreau (Graduate Institute)

"The End of a Dream: The closing years of Mexico's gold standard, 1930-1934"

Gianandrea Nodari (El Colegio de México)

Abstract

The aim of this paper is to reconstruct the Mexican performance under this monetary regime from 1930 to 1934. Mexico tried to link its monetary system to the gold-exchange standard on July 1931, only a few months before the global financial crisis forced Great Britain to suspend convertibility. This decision was not taken instinctively. Rather, it was the result of studies carried out by the Mexican financial elite to allow the country to remain on the gold standard despite the economic crisis was draining the reserve of

gold available in the country. The struggle to maintain the peso's convertibility lasted almost a year (from late 1933 to early 1934), after which the Mexican financial authorities decided to peg the national currency to the dollar. My goal is to examine the macroeconomics problems, priorities, alternatives and decisions of the Mexican financial elite regarding the gold standard and how these beliefs changed during the course of time. This analysis will lead to a deeper understanding of the reasons why Mexico left its "golden fetters" only in 1934 and of the consequences of such decision for economy recovery from the Great Depression of 1929.

Discussant: Rui Esteves (Oxford University)

11-11.15 Coffee

11.15-12.45 – Session 2: Chair – Mary O'Sullivan (UNIGE)

"The analysis of Mexican long-term regional inequality (1895-2010)"

José Aguilar-Retureta (Universitat de Barcelona)

Abstract

One of the most persistent characteristics in Latin America Economic History is the long-standing regional inequality within countries. The Mexican case is not an exception, since the country has been characterized by high regional inequality at least since the take-off of modern economic growth during the Porfiriato. In this sense, although regional disparities have been well studied for recent years, there is very little evidence about the evolution of aggregate regional inequality in the very long term. This could respond, to some extent, to the lack of some of the most common indicators of regional economic activity, such as regional GDPs. This, in turn, has limited our understanding about the reasons for the persistent regional inequality in the country. This paper seeks, firstly, to fill this gap by providing a new estimate of the Mexican regional GDPs per capita for several benchmark years (1895, 1900, 1910, 1921 and 1930).

Discussant: Juan Flores (UNIGE)

"Prices, wages and living standards in Mexico City and Madrid, 1759-1833"

Andrés Calderón Fernández

(Universidad Complutense de Madrid and the Karl-Franzens Universität Graz)

Abstract

Although there are several price series for Mexico City, they either comprise a single product (maize, corn, beef and mutton meat) or they are very limited (the so-called barebone-baskets). My goal is to build a comprehensive basket of goods, that can better measure not only the purchasing power of certain salaries in the city but of money in general. If we consider total consumption and we divide it by the total population we can have a good idea of what people actually consumed.

Discussant: Alejandra Irigoin (LSE)

“A new Argentine cost of living estimate, 1912 - 1943”

Cecilia T. Lanata Briones (LSE)

Abstract

This paper is part of my PhD thesis 'Re - discovering the index: a history of the Argentine cost of living estimate, 1910 - 1943'. Specifically, this paper is the first draft of the third, and final, substantive chapter of my thesis. As such, it is work in progress. The first substantive chapter (chapter IV of the thesis) is a re - construction and a critique of the methodology behind the estimates released in 1918 and 1924 and analyses the sombre years of the Argentine CLI (1925 - 1932). The index throughout this period has been re - named in the thesis as comprehensive price index. The second one (chapter V) evaluates the procedure followed to estimate the 1933 CLI, published in 1935, and re - named in this thesis first Argentine CLI. The third chapter (chapter VI) puts together the differences and similarities between the two series to then present several alternative estimates: for the comprehensive price index, for the first Argentine CLI, and for the long - term (1912 - 1943).

Discussant: Mar Rubio (Universidad Pública de Navarra)

12.45-14.00 Lunch

14.00 – 15.30 Session 3: Chair — Rui Esteves (Oxford University)

“Could an Increase in Education Raise Income Inequality?”

Diego Battiston (LSE)

Abstract

This paper explores the direct effect of education expansion on earnings inequality by carrying out microsimulations for most Latin American countries. We find that the direct effect of increased years of education in the region in the 1990s and 2000s was unequalizing, and this result is expected to hold for future expansions if increases in education are not highly progressive. Both facts are closely linked to the convexity of returns to education in the labor market. On average, the estimated impact of the education expansion remains unequalizing when allowing for changes in returns to schooling, although the effect becomes smaller.

Discussant: Alfonso Herranz (Universitat de Barcelona)

“Brazilian export growth and divergence in the tropics, 1821-1913”

Christopher David Absell

Abstract

The objective of this paper is to reappraise both the accuracy of the official export statistics and the conventional narrative of Brazilian export growth during the long nineteenth century. We undertake an accuracy test of the official values of Brazilian export statistics and find evidence of considerable under-valuation. Once corrected, Brazil's export growth during the post-independence decades is found to be more dynamic than the official series and conventional narrative suggests. We argue that this

dynamism was driven by exogenous institutional shocks that afforded Brazil a temporary competitive advantage over other tropical agricultural producers and a subsequent endogenous response that took the form of rapid factor endowment expansion.

Discussant: Mar Rubio (Universidad Pública de Navarra)

15.30- Coffee

15.45-17.15 Session 4 – Chair Juan Flores (UNIGE)

“Nation-building and the provision of primary schooling in Argentina (1880-1914)”

Beatriz Alvarez (UCIII – Madrid)

Abstract

Recent research has emphasized the importance of decentralization, egalitarian agrarian institutions, trade openness, and democracy as key determinants of the most successful schooling systems during the era of mass education. Within Argentina, these theories accurately explain the better performance achieved by the dynamic Litoral region compared to the backward Interior provinces. Despite their appealing, predictions emerged from these explanations are not enough to elucidate convergence between both regions. I identify statebuilding as the main driver of human-capital investments’ evolution. In particular, I argue that two main political issues led Argentinian primary schooling system’s development: the geographical distribution of political power and the presence of a threatening opposition able to undermine central government’s authority. When poor provinces in the Interior regions had relatively more political power - given by the share of seats in the Electoral College -, elementary education indicators followed the path led by local coalitions and the trade boom. Then, there were no incentives for an effective central government intervention during this first stage. In contrast, when opposition threatened regime stability central authorities started to use education as a means of social control, without suffering from the interior chiefs’ pressure. My results provide evidence that top-down political dynamics played a significant role in this particular setting by counterbalancing the influence of bottom-up determinants, therefore casting doubts on the importance of path dependence for development. Also, I find that a domestic shock more than offset the impact of the first globalization boom.

Discussant: Aline Helg (UNIGE)

“Revisiting ‘The Economic Consequences of (Dis)Organised Coercion’: Conflict, Armed Actors and State Building in 19th Century Mexico”

Esteban Ramirez (Graduate Institute)

Abstract

Economic historians have prompted a rich debate in the social sciences with inquiries into the relationship between organised coercion and the development of modern economic and political institutions. This paper builds on questions about the characterisation of governments as “violence controlling enterprises” (Lane, 1975), having a “comparative advantage in violence” (North, 1981), or that constitute “coercion

monopolists" (North and Weingast, 1989), as well as some of the criticism such views have received.

Discussant: Alejandra Irigoin (LSE)

20h – Dinner .