

Identification and characterisation of financial crises in Latin America: c.1870-2019

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In recent years, after several episodes in emerging and advanced economies, the study of financial crises has taken centre stage in economics and economic history. From an empirical point of view, an international perspective on crises prevails and quantitative approaches are the rule (e.g.: Bordo et al., 2001; Reinhart and Rogoff, 2009; Schularick and Taylor, 2012). Among other results, this literature establishes some general patterns of crises frequencies and output losses that tend to overlook the history of particular regions such as Latin America.

Latin America has historically been a group of developing countries with a clear role as commodity exporters and capital importers, with economies based on natural resources, high levels of wealth and income inequality, financial systems heavily dependent on external funds and relatively small internal domestic markets in relation to international ones. These economic features should have played an important role to explain financial crises, considering both their frequencies and consequences in terms of depth.

The general objective of this paper is to revisit the identification and characterisation of financial crises in Latin America in the long run (c. 1870-2019), taking into account the singularities of its historical development. We address the disagreement in chronologies and propose a new chronology based on previously unexploited quantitative and qualitative evidence, constructed from a country-specific point of view.

The paper has three specific objectives. First, to document the frequency, duration and cost (output loss) of the Latin American financial crises. Second, to construct a database containing a set of indicators that help to characterize the above-mentioned peculiarities of the region, such as commodities prices, terms of trade, trade and financial openness, degree of financial development, and political instability, for eight major Latin American countries (Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela) between 1870 and 2019. Third, to study the relationship between financial crises and these main indicators in order to establish some hypotheses about the causes of financial crises and their consequences over the real economy, for the specific case of Latin America.

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