RIDGE

RESEARCH INSTITUTE FOR DEVELOPMENT, GROWTH AND ECONOMICS

Workshop on Economic History

I.Policy lessons and future research agenda

Economic historians and development economists met at the **RIDGE Workshop on Comparative Studies of the Southern Hemisphere in Global Economic History and Development**, held in Montevideo 26-27 March, 2015. Through four sessions leading scholars and PhD students discussed the economic history of developing regions (Latin America, Africa, East Asia), engaging in fruitful debates over technological change, factor endowments, international trade and institutions as factors behind long-term trends as well as present-day issues for the economic development of the global South. Hence, what can policy makers learn from long-term comparative analyses of economic development in Asia, Africa and Latin America conducted by economic historians and historically oriented development economists? Four key insights emerged from the Workshop:

1) **Commodity cycles** are important across the global South, but countries have dealt with stop-go patterns of growth very differently. Different policy responses have produced different outcomes even in countries facing the same international influences and constraints. Therefore, there is scope for future research and insights for policy makers in search of 'best practice models' based on historical experience.

2) **Colonial legacies** have shaped post-colonial economic and institutional development trajectories across the global South, but to what extent are these still relevant? Should policy makers care? Further research should help us assess the persistence of colonial legacies as an influence to be taken into account for present-day policy making.

3) Ecological conditions, human settlement patterns and resource management/exploitation (land, minerals, water) have shaped historical **paths of economic specialization**, especially in settler economies. Some societies have been more successful than others in turning their environments and specialization patterns in sustained paths of productivity growth by investing resource wealth in human capital. Here, again, there is great scope for future research and insights for policy makers in search of 'best practice models' based on the comparative trajectories of different countries and regions.

4) **Inequality between groups** is as relevant, if not more so, than inequality among individuals. Further, both levels are not always co-evolving: at times income distribution between households may be improving but gender inequality or the functional distribution of income between capital and labour can be worsening. Historical experiences across the Southern Hemisphere, particularly in Latin America, suggest that policy makers should bear in mind different concepts and measures of inequality (inequality of what? inequality between whom?) when designing and implementing development policy.

II. Summary of papers and presentations

During the first session, **Jorge Álvarez from Universidad de la República (Uruguay)** presented some of the major results and ideas stemming from his PhD dissertation on the comparative history of New Zealand and Uruguay, two small settler economies that participated actively in the first globalization boom (c. 1870-1930), receiving population and capital inflows from Western Europe and exporting leather, wool and meat (Uruguay) and wool, meat and dairy products (New Zealand). Despite these important resemblances (that translated into a similar trend in the evolution of terms of trade), the volume of exports and the average income levels diverged since the 1930s, with Uruguay falling behind. Álvarez claims that this divergence has to do with major differences in the patterns of technological change and productivity gains through time in the agrarian systems of both countries. Whereas in New Zealand livestock production changed from an extensive to an intensive system, improving the returns of the land factor through technological change, in Uruguay cattle breeding was, and continues to be, fundamentally based on the static advantages of the natural grasslands.

Then, **Cristian Ducoing from Universidad de Valparaíso (Chile)** presented the work "Uneven Paths. Energy Capital Ratios in Europe and Latin America 1875-1970", which he wrote together with Rick Hölgens, Mar Rubio and Ben Gales. This paper explores the economic divergence between Latin America and Western Europe in the period 1875-1970 through the analysis of the energy-capital ratio (E/K). Considering that there are big productivity gains associated with energy efficiency and showing a high correlation between the E/K ratio and GDP per capita in the long run, the authors present evidence to support the claim that at the same level of average income, European countries show higher energy efficiency through time. If E/K is a proxy for efficiency improvements –which would be present in Europe and lacking in Latin America–, then the data would point to lower technological progress in Latin America. Such energy efficiency improvements can be considered, according to the authors, a major driver for economic development.

Closing the first session, **Henry Willebald from Universidad de la República (Uruguay)** presented the paper "Land Frontier Expansion in Settler Economies (1830-1950): Was it a Ricardian Process?" (co-authored by Javier Juambeltz) which analyses the incorporation of Southern lands into the international capitalist economic relations. In many economies of the global South the main domestic contribution to economic growth was the incorporation of "new land", the authors claim, which makes the land frontier expansion a central concept for the economic history of developing regions. Drawing from the classical economists, the authors focus on the duality *extensive margin*/*intensive margin*, trying to understand whether the frontier expansion can be explained with these Ricardian concepts. Classifying land by its agrarian aptitude and its relative distance to the centers of gravity for international trade, Willebald and Juambeltz conclude that the Southern Cone presents evidence in favor of the intensive margin thesis as the main driver of the process of frontier expansion.

The second session began with the presentation of the PhD thesis "Deltas Apart Factor Endowments, Colonial Extraction and Pathways of Agricultural Development in Vietnam" by **Monsterrat López from the University of Lund (Sweden)**, which offers a deep case study of the Vietnamese economy in the long run, from the French colonial rule to its present-day status of an Eastern Asian miracle economy. In particular, the author focuses on the dynamics of rice production and trade in the analysis of two very different areas of the country –Tonkin (the densely populated

Northern region) and Cochinchina (an open frontier to the South of the peninsula)– to question the explanatory power of current neo-institutional arguments centered on the colonial heritage thesis. López considers that factor endowments have an important impact on economic growth (in this case through surplus generation in agriculture) that affects income level and income distribution, which in turn influence institutions. Therefore, the Vietnam case, López argues, highlights the need to look for more complex explanations for economic development through time, making life harder for economic historians, but getting us closer to a better interpretation of the economic past.

Afterwards, **Ewa Cieslik from the Ponzan University of Economics (Poland)** presented her work "Internationalization process in Southern African Customs Union members: foreign trade patterns and integrating into global value chains", which explores the recent economic growth in Sub Saharan Africa by focusing on the dynamics behind intraregional trade and the degree of involvement of the Southern African Customs Union (SACU) members on global value chains. Cieslik argues that the main problem with the current growth trend in the region is its inability to create sufficient employment, and considers that the low levels of intra-African trade as well as the insufficient investments in infrastructure are critical parts of the problem. Describing the SACU as an example of the hub-and-spokes scheme –with South Africa being the main beneficiary– the author shows that its relevance for African economies is still marginal, as trade patterns are dominated by comparative advantages on minerals and foodstuffs integrated to a high degree in the lower stages of global value chains.

Then **Anna Maria Pinna from the University of Cagliari (Italy)** presented the paper "Islands as "Bad Geography". Insularity, Connectedness, Trade Costs and Trade" (co-authored by Luca de Benedictis), which discusses the historical meaning and the economic costs of insularity. The authors stress that being an island does not have the same meaning everywhere and hence it is not a condition that can be represented by a dummy variable: the global distribution of islands provides abundant evidence on the huge heterogeneity in terms of the trade costs involved. Drawing on an impressive set of data on maritime logbooks for the 1662-1855 timespan, Pinna and de Benedictis construct a map with over five thousand voyages by European vessels showing ports and islands regularly visited by those ships. That evidence, in the authors' view, supports the idea that historical connectedness (i.e. the degree of participation in the trade routes) is a major factor behind economic development, much more so than for non-island territories.

Session 3 started with the presentation of the paper "The lingering face of Gender Inequality in Latin America" by **Silvana Maubrigades from Universidad de la República (Uruguay)**, which she wrote jointly with María Camou. Considering that the economic and historical analysis of inequality should not only refer to individuals but also to groups, the authors underline the relevance of gender relations to study Latin American inequality through time. Maubrigades and Camou claim that the relation between economic growth and gender equality is not linear in the region. In fact, whereas during the heyday of State-led industrialization the average female participation in the workforce dropped, it grew from the 1970s onwards in most Latin American economies. The authors go on to show a significant correlation between female activity rates and education attainment by women particularly when both variables are at low levels. Whereas both improved in the long term, the gap with the same ratios for the male population still persists. Further, education does not have a linear result in terms of women's participation in the workforce, as training for female workers does not yield on average the corresponding rewards enjoyed by men. Moreover, in the long run the increases in female activity rate do not translate into reduced gender wage gaps –except for the

1940-1972 period– or into significant increases of the women income share at the household, the authors argue. Behind these general Latin American trends, Camou and Maubrigades identify different trajectories where path dependence plays a key role in the evolution of the labor market from a gender equality perspective: some countries (such as Argentina and Uruguay) combine comparatively high education attainment levels and high female participation in the workforce, where others (like Brazil and Bolivia) portrait much lower levels of both indicators.

Then **Casto Montero from the American University of Beirut (Lebanon)** presented his work "Ideology, Growth and Natural Resources" which discusses ideology as a transmission channel for the so-called curse of natural resources. If the abundance of a particular natural resource has some influence on ideology and if, in turn, ideology affects growth, then –the author claims– it could be argued that different endowments lead to certain ideologies, which can have positive or negative impacts on economic growth. In order to discuss this issue, Montero compares East and West Bolivia, putting forth the hypothesis that societies with abundant mining resources (such as the western regions of Bolivia) will tend to go for more left-wing political parties, while mainly agricultural regions (the eastern part of the country in his case study) have a built-in tendency to right-wing governments. Based on this comparison, the author suggests that the abundance of a particular natural resource could affect the ideology of individuals and, through them, governmental policies and their impact on growth.

To end this third session, **Felipe Valencia from Universitat Pompeu Fabra (Spain)** presented his work "The Mission: Human Capital Transmission, Economic Persistence and Culture in South America", which deals with the long-run effects of the historical Jesuit missionary presence since the 17th century in certain regions of present-day Argentina, Brazil and Paraguay. Valencia's work attempts to bridge the conceptual and analytical gap in the literature on the relation between institutions and human capital by focusing on the Guarani Jesuit Missions. The evidence presented by the author shows that Jesuit missions enhanced present-day educational outcomes by 10 to 15% against the average of the regions where the religious order settled. Hence, the paper tells the story of the long-term impact of a particular institution that can be seen as introducing a human capital shock.

The fourth session started with the presentation by **Ewout Frankema from Wageningen University (The Netherlands)** of the paper "An Economic Rationale for the African Scramble: The Commodity Price Boom, 1845-1885", which he authors jointly with Jeffrey Williamson. In this article Frankema and Williamson offer a unified account linking the West African transition from slave trade to "legitimate" commerce –a game changer in African history– to the late 19th century globalization. Hence, the paper situates the scramble for Africa (i.e. the conquest and partition of the African continent by the major European powers since the 1880s) in the wider context of world economic history, trying to explain how South Saharan Africa fits into the global picture: first wave of globalization, transportation revolution, demand for commodities due to the industrial revolution, and so forth. Offering new estimates on the net barter terms of trade (which allow for changing export baskets at 20-years intervals) the authors show that West African economies present a rising trend since the late 18th century with a peak when the scramble takes place. East Africa presents a similar trajectory, but with different commodities and a lesser order of magnitude, which can be accounted for by the fact that it was much less integrated to the Atlantic economy. These findings contradict the belief held by the standard literature that the African terms of trade were falling since 1860, and suggest that the scramble for Africa cannot be properly understood without taking into account the exceptional commodity price boom between 1845 and 1885 and the subsequent rise in the purchasing power of African exports. This period was followed by an equally impressive and prolonged decline up to 1940, showing that African boom and bust dynamics are more dramatic than elsewhere, even by poor periphery standards. Finally, Frankema ended his presentation by stressing that the problematic African specialization pattern in the 20th century cannot be fully explained without studying the commercial transition in the long 19th century.

Then **Jeffrey Williamson from University of Harvard and University of Wisconsin (United States)**presented his work "From Commodity Booms to Economic Miracles: Why Southeast Asian Industry Lagged Behind for So Long" that focuses on manufacturing output data to show that whereas catching-up industrial growth was well underway in Asia by 1896, it did not translate into convergence in income levels vis-à-vis leading economies until the last third of the 20th century. Unlike other economies, Southeast Asia was not constrained by fuel scarcity but rather by small domestic markets (as compared with other late-industrializing economies such as Russia or Brazil), particularly when international trade was restricted up to the 1970s. Further, Southeast Asian economies were also affected with a severe case of Dutch disease: after enjoying a price boom for commodities during the first globalization they suffered –as a Singer-Prebisch trend would suggest– a huge drop in export prices, which had major effects on their economies, as the region had the highest export/GDP ratio in the world by 1970s. Hence, relative prices were up for industrialization. Moreover, an endowment transition helped Southeast Asia escape the commodity-export trap: a growing, literate and cheap labor force started to play a key role after the 1960s. Finally, these economies received important FDI inflows from Japan, an economy that was trying to change its industrial structure away from labor-intensive manufactures and into high technology goods.

Finally, **Gareth Austin from the Graduate Institute for International and Development Studies in Geneva (Switzerland)** presented "African and Latin American Economic History: Comparisons and Connections", a compelling argument for the relevance of comparative studies regarding these regions. Austin considered the broad historical similarities between both continents–factor ratios as of 1800, European colonization, productive and trade specialization patterns, income levels and trends highly susceptible to trade cycles– sufficient to make them good comparators. Further, the author made it clear that the relevant historical connections between Africa and Latin America –the trans-Atlantic slave trade since the 15th century being the most notable one– do not render the comparison invalid: it is much more useful to think of entangled stories where connections and comparisons do not crowd each other out. Austin also argued that one of the major contributions of this perspective is that it allows us to assess some arguments that have been made for these regions in comparison with Western Europe, such as the reversal of fortunes thesis, from a different standpoint. Indeed, the African comparison shows precisely how this narrative is inconsistent with the persistence of slave trades out of Africa and its contribution to the industrial revolution that made the divergence trend even stronger.

The workshop ended on a promising note, with participants underlining the relevance of comparative studies on the economic development of the Southern Hemisphere in historical perspective. If Economic History is to help us understand the origins of present-day development challenges and how they have changed through time, then we must promote wide-ranging comparative research involving regions we know yet very little about. And in particular for Latin American scholars and policy-makers there is much to be learned from the historical experience of other developing regions in the global South.