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PRODUCTIVE AND REGIONAL DEVELOPMENT POLICIES IN LATIN AMERICA SINCE 1890

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1. Introduction

The aim of this paper is to identify the main stages of Latin American economic development with respect to the kind of productive policy implemented by the States to promote growth and their implications for regional development. Productive or industrial policy is considered here not only as a sectoral policy, but also as a horizontal one. The relation between industrial and development policy and regional development is not obvious. Regional and local development has become a particular approach to development, departing from the fact that development always takes place in particular territorial environments. There has been always a tension in development studies, between theories that emphasize the existence of some universal development trends, and those who emphasize the specific features of different regions. Development studies, and local development theories, have always emphasized the limits of very general theories to understand the situation of less developed regions, which not only have different positions in the international or national arena, but also different social structures in general. Thus, policy must be specially designed according to the particular circumstances, why there is an important difference between development policies inspired by general theories and applied to a territory, and policies that depart from the particular features of a territory.

The state of our knowledge on regional development is still limited. A systematic study of the relation between regional development and State policy is still to be performed.

I will mainly use data and information for nine countries: Argentina, Bolivia, Brazil, Chile, Colombia, México, Perú, Uruguay and Venezuela, but I will often refer to Latin America as a whole.

The nine countries adequately represent the Latin American typology proposed by Bértola and Ocampo (2012): Argentina, Chile and Uruguay constitute the so-called Euro-American societies; Brazil and Venezuela stand for the Afro-American, and Bolivia, Colombia, Perú and México stand for the Indo-American ones. The large countries show regions of the three kinds, but the dominant feature is assumed as above. Recently, Bértola (2018) include Chile as a particular case, called as Indo-Euro-American. In terms of size, a relevant aspect when discussing industrialization policies among the Afro- and Indo-

Americans, Bolivia represent the small ones, Colombia, Perú and Venezuela the medium-sized and Brazil and Mexico the big ones.

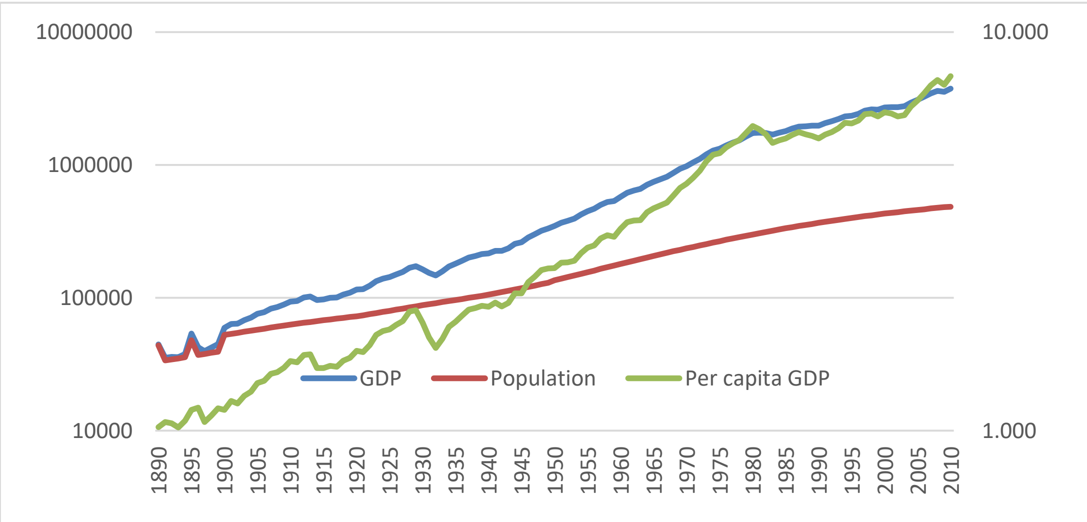
2. The big long-run picture

Modern economic growth is a process in which productivity growth progressively surpass growth due to accumulation of productive factors. In particular, per capita GDP growth tends to be higher than population growth.

If we look at Graph and Table 1, we can see that this has not been the case of Latin America. The only period, in which per capita GDP growth slightly surpassed population growth, was the one between 1945 and 1980, in spite of a very fast population growth, the highest during the whole period. That population grew more than per capita GDP during the whole period may be not surprising. What is really a matter of concern is that the last period, 1980-2010, showed the same pattern and reversed the "modern" trend of 1945-1980.

This may be one of the underlying explanations for the fact that the Latin American countries steadily lagged behind the leaders of the world economy, as shown in Graph 2.

Graph 1. GDP (millions, left), population (thousands, left) and per capita GDP (thousands, right) in nine Latin American countries, 1890-2010 (international 1990 dollars).



Argentina, Brazil, Bolivia, Chile, Colombia, México, Perú, Uruguay and Venezuela. Per capita GDP is a weighted average.

Based on Bértola and Ocampo (2012) and for Bolivia Herranz and Peres-Cajías (2016).

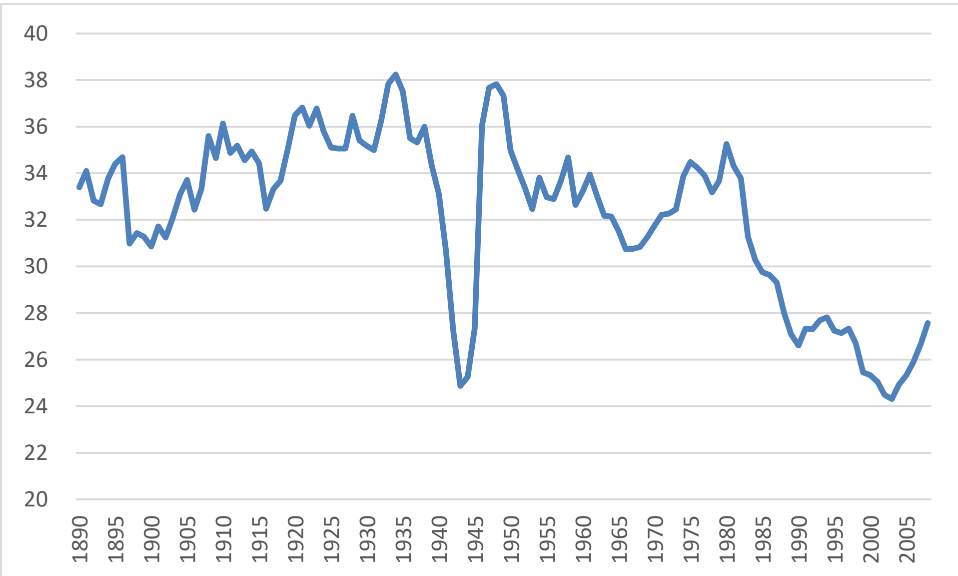
Table 1. GDP, population and GDP per capita growth rates in nine Latin American countries, 1890-2010 (international 1990 dollars).

	GDP	Population	Per capita GDP
1890-1929	3,5	1,8	1,7
1929-1945	2,6	2,0	0,6
1945-1980	5,6	2,7	2,8
1980-2010	2,6	1,6	1,0
1890-2010	3,8	2,0	1,7

Argentina, Brazil, Bolivia, Chile, Colombia, México, Perú, Uruguay and Venezuela. Per capita GDP is a weighted average.

Based on Bértola and Ocampo (2012) and for Bolivia Herranz and Peres-Cajías (2016).

Graph 2. Latin American (nine countries) relative per capita GDP (four developed countries= 100)



Based on Graph 1 and the Maddison Database for the weighted average of France, Germany, UK and US.

Relative performance depends on what happens on both ends. The WWII period was featured by an extraordinary growth of the US; the 1970 were critical years for the developed countries. A short story can be told like this: on average, these Latin American countries showed a clearly lower GDP than the leading world countries, but could keep growing and even making some modest relative progress until the 1920s; from the 1930s and up to the 1970s, they could manage to grow fast and not diverge, in spite of the US WWII explosive growth and the Golden Age of capitalism, experienced by other leading countries in the 1950s and 1960s. Since the 1980s the divergent trend is clearly noticeable.

As can be clearly seen in Graph 2, and even in Graph 1, Latin American growth is subject to strong cyclical fluctuations. These fluctuations are mainly due to the particular productive structure of the Latin American countries. Their export sectors are concentrated on very few products, live stuffs and raw materials, with relatively little value added and highly volatile prices. Besides, exports are concentrated on a few markets (for a concise discussion and evidence on that, see Bértola and Ocampo, 2012, Chapter 1).

In spite of the shallow and scarcely diversified productive structure, the Latin American countries are able to appropriate important rents of the natural resources, when world demand is booming. Then, the economic cycle is speeded up, as the rents of the natural resources attract foreign and native investment, domestic demand grows, and idle capacity is occupied, with important short-run increases in productivity as an outcome. However, in the medium to long term, technological development tends to erode the rents of natural resources, and the expansive cycle comes to an end. This is a pattern that prevailed since Latin America was incorporated in the world markets, and is still in work right now, particularly in South America.

The acceleration of population growth until 1980s went hand in hand with radical changes in its distribution. During the late nineteenth and early twentieth century, the scarcely populated areas of the Atlantic coast grew the most, due to the combination of high natural growth rates and immigration, particularly in the Euro-American countries. Immigration was also important in some regions of the Afro-American countries, particularly in the Brazilian South-East. However, the Euro-American countries, particularly Argentina and Uruguay, went through an early demographic transition. Together with the interruption of immigration flows since the 1930s, the demographic dynamic of the continent changed, being the Indo- and Afro-American countries those who showed the highest growth rates of population. In all countries, but at different moments, population growth was followed by an intense process of urbanization.

3. Latin America: one and many

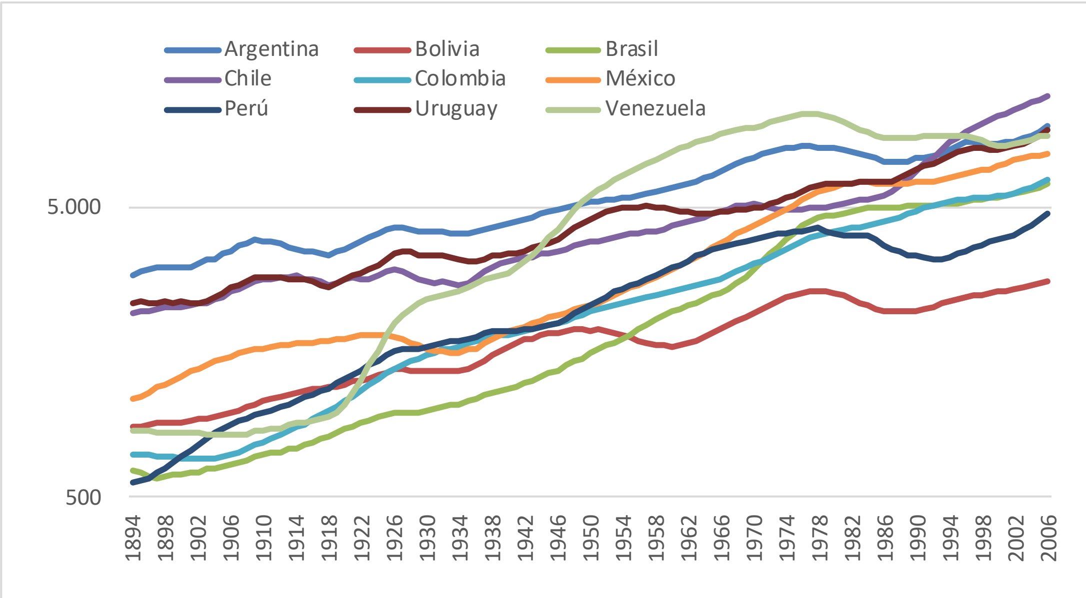
Following Bértola and Ocampo (2012), the Latin American countries can be divided into three groups: Indo-, Afro- and Euro-Americans. The main feature of this typology is not ethnic origin per se, but the social relations which prevailed in the different societies. As the twentieth century advanced, the main difference between the Afro- and Indo-Americans became the size of the country, an important determinant of inward-looking industrialization. Nevertheless, a recent paper by Bértola (2018), finds that the ethnic typology still plays an important role in the twentieth century, especially when considering human development and income distribution.

The three Euro-American countries (all present in our sample) achieved, at the end of the nineteenth century, significantly higher per capita income, real wages, levels of industrialization, literacy rates and many other indicators of social and economic development, than the other two groups. They also showed, especially in relation to Afro-American regions, lower inequality levels. It is in this respect that Chile departs from the Euro-American pattern, as it showed, throughout its modern history, much higher income inequality levels than Argentina and Uruguay (Rodríguez Weber 2017). These three countries showed an early decline of export-led growth since WWI. Moreover, a paradox found by Bértola (2018) is that these three countries showed, during the industrialization period, the most important achievements in terms of inequality reduction, human development, and the creation of social states, while their GDP growth rates were among the lowest.

On the contrary, the Indo- and Afro-American countries did grow more, producing partial convergence among the Latin American countries. Brazil could even shorten the gap with world leaders, even if the gap remained huge. On the other hand, these countries did only modest achievements in terms of human development and inequality reduction. That is why Bértola (2018) characterizes their growth model as a Lewis-like one, as labor abundance, in spite of populist policies, pressed real wages down. Mexico (Indo-American) and Brazil (Afro-American) are the best examples in our sample. Colombia, Perú and Venezuela are good examples of medium-size countries, with important geographical diversity, with important reserves of natural resources and diverse ethnical composition too.

A good example of the role of the size of the country is Bolivia. Together with its complex geography and its insular character, Bolivia, in spite of its important natural resources, showed all the time, until recently, the lowest per capita income levels of the region, and remained peripheral to the continent´s convergence trend.

Graph 3 GDP per capita of nine Latin American countries (nine-years moving averages, at 1990 international dollars, semi-log scale)



Source: as in Graph 1.

4. State policies during the first globalization boom and their impact on regional development

Our typology also differentiates between countries that produce renewables, mainly agricultural production, and non-renewable minerals. In turn, there is an important difference among the agrarian products: tropical countries do not compete with developed regions, but with other peripheral regions, often labor abundant, which determines the structure of markets and costs, particularly of labor. Countries with temperate climate, often the Euro-Americans, produce the same products as the developed regions, and their labor markets are rather integrated.

Did industrial policy play any role during the export-led era until the 1920s? Yes, in many respects. Nevertheless, it is possible to say that no regional development policy was developed, if we, by that, mean some kind of endogenous local development policies.

First of all, the export-led era was featured by the consolidation of the central power of the State. The long-lasting conflicts that followed Independence implied the construction of new borders, new capabilities, new authorities and, nonetheless, new identities. It is worth to remember that the Argentina Republic, for instance, was not created until the 1860s. Most of the times, the State was consolidated in authoritarian ways, which often led historians to label the new republics as oligarchic: controlled by the military and political elite, landowners, miners, British capitals and an internationalized merchant class.

The consolidation of the power of the State and the enforcement of property rights made it possible for foreign capital to invest in infrastructure (railways, trams, insurance, banking, telegraphs), in strategic productive activities (mining, slaughterhouses, sugar mills), and in State liabilities. Even the agricultural sector attracted important investment in irrigation systems, race-breeding, fencing, and the like. The main goal of infrastructure was to link the places where natural resources were produced and extracted to world markets. This policy had obvious outcomes in terms of regional development. Large new areas were integrated into the world economy, that previously were completely isolated. Infrastructure was crucial: the cost trading products to Bogotá, Chuquisaca, Mexico City, Quito, and Sucre were nine to twenty-seven times that of Buenos Aires and Montevideo, both well placed on either side of the Rio de la Plata (Brading 1969: pp. 243-4).

It is possible to say that the main outcome of this period was the expansion of the frontier. Huge amounts of land were incorporated to the world economy. Sometimes, the process took place within the limits of the newly created national states. The expansion to the North of Mexico, the conquest of the desert in Argentina (in the 1880s) and the conquest of the Araucania in Chile, are among the most outstanding ones. Expansion, however, took also place by international conquest. The most outstanding one was probably the War of the Pacific, though which Chile conquered the nitrates abundant North, previously Bolivian and Peruvian territory. We cannot forget the conquest of Northern Mexico by the US.

As an outcome of this process, a completely new map of regional economies appeared, and new social structures were created, hand in hand with radical changes in power distribution in the old areas. The main outcome was the strengthening of the landowning classes, as well as that of merchants and foreign capital, particularly the British ones.

An intensively debated topic is whether there existed a protectionist policy during this period. By the end of the nineteenth century, the Latin American countries had the highest ratio of tariffs to imports, only after the US and similar to other Western offshoots (Coatsworth and Williamson 2002; Bértola and Williamson 2003). This fact cannot simply be interpreted as the prevalence of a protectionist doctrine.

The main aim of import duties was to finance the State budget. Import duties damaged only marginally the interests of the export sectors, and were often resisted by the labor movements and the early socialists, as they rose the cost of living. Of course, duties had some impacts on the domestic industry. Moreover, in many countries the dominant liberal ideas were not that radical as to avoid the construction of pacts with some local elites. One example is sugar production in Northern Argentina, which remained protected even during the heydays of the *Belle Époque*. Here and there, industrialist ideas were present, but their importance was small in relation to the fiscal needs of a State, which were mainly related to defense, domestic order and administration.

Notwithstanding that, as time went by and well into the twentieth century, the so-called strategic tariffs were more and more incorporated into a set of industrial policies in different countries.

As Bulmer-Thomas put it, liberalism in nineteenth century in Latin America was mainly concerned with the "relations between Church and State, the degree of personal freedom from state interference and the constitutional arrangements between central and local governments", while the arguments for economic liberalism were much less. The most important reasons for that were "the limitations imposed on economic policy by the demands of state finance, the behavior of trade partners and the difficulty of finding fiscal alternatives to tariff revenues." (Bulmer-Thomas 2012).

In Brazil, the well-known expansion of coffee production to the South implied radical changes. Together with the abolition of slavery, an important flow of mainly Italian *colono* immigrants produced radical social transformations, which combined with fast economic growth in that region would create the conditions for one of the most important regional processes of industrialization: that of Sao Paulo.

The so-called liberal reforms, i.e., the creation of a free market of land, capital and labor, advanced at different pace in the different regions. The Indo-American regions were the most conservative ones. There, the colonial elites resisted Independence with particular strength and the Independency wars lasted long and destroyed infrastructure and capital. The new republics had to rely on colonial institutions to finance State expenses and the local elites continued to extract different kinds of rents from the peasant communities. Some local traditional economic activities were protected with high tariffs, thus hindering the development of modern industries. However, this is not the same as to protect the creation of a new modern industry.

Mexico is a particular case. The Porfiriato regime promoted a process of modernization and fast growth, in which industrial growth played an important role. Tax exemptions and tariffs were used to promote the expansion of a modern industrial sector, that, due to the limited domestic market, only could survive with protection and a high concentration of market power by a few powerful entrepreneurs. The State was directly involved in the creation of enterprises and in the financial sector. The highly concentrated structure of power and wealth, that went hand in hand with economic growth, was one of the reasons behind the Mexican Revolution (Moreno-Brid and Ros 2009; Haber 2010).

Colombia and Venezuela combined the protection of tariffs and the very limited integration of their domestic markets, particularly fragmented by their geographies, to develop local industries in different regions (Ocampo 2012). While helping to spread production over the territory, the limited size and levels of income of these local markets did not allow them to develop a modern industry and to benefit of economies of scale. For that, they had to wait until the second part of the twentieth century.

Perú is a good example of the role played by investment in infrastructure to develop regional economies based on the exploitation of natural resources. After the guano boom and after the loss of the nitrates in the South in favor of Chile, new regional economies developed thanks to domestic and international investments. Railroads, roads end engineering, and the opening of the Panama channel, allowed to expand plantation economy in the North, oil production in Piura, rubber in the Amazonia and mining in the Central Coast and *Sierra,* producing increased regional inequalities. While these inequalities reflect different levels of modernization (Seminario et.al, in this volume), the main explanation behind the process was the possibility to extract rents of the natural resources.

In the Euro-American economies, where domestic taxation was very difficult to arrange, due to dynamics of demographic change and the expansion of the frontier, foreign trade duties were the main source to finance the State. Duties were imposed to imports, and only rarely to exports, with the exception of the Chilean nitrates, as this country has the monopoly of world production and could transfer duties to the final consumer. This, as mentioned, was also the case of other settler economies, including the US.

5. State-led growth: strategies and policies and their impact on regional development

It is not easy to give a simplified picture of what happened in Latin America between the 1929 crisis and the so-called lost decades of the 1980s. We have already seen that the 1930s and WWII were periods of slow growth. However, they were periods of important structural change.

The measures adopted by the different Latin American countries to meet the crisis combined devaluations (the Gold Standard was finally abandoned), the introduction of multiple exchange rates (originally to favor the export sector, later to promote industrialization), adjustment and increase of tariffs, import controls and limits to import from different currency zones, currency controls and sometimes State monopoly of currency exchange, defaults on external debt obligations and banning of capital remittances.

With purpose or not, most of these measures altered relative prices in favor of local production of consumer goods, both agricultural and manufactured. This is an important point, as not only the manufacturing industry was the winner of structural change, but also many crops for domestic consumption or as inputs for local industries. The degree to which different countries could develop industrial production depended on their previous development. The Euro-Americans, with higher per capita income, had already diversified their economies to some extent, and had experimented with some kind of protectionism to promote modern industry. The same can be said of the two big countries, Brazil and Mexico. In all these cases there already existed important entrepreneurial groups and capital investment, as to allow industrial growth. However, the contraction of the traditional export sectors counteracted the growth process as much as it promoted the growth of new sectors.

Bolivia was an outstanding case. Without particular conditions to direct growth towards the domestic market, different forces converged to an old-fashioned strategy of conquest of new territory. The Chaco war was a complete disaster, with huge costs in terms of human lives and in terms of economic destruction. The combined effects of the 1929 crisis, the new defeat in the international arena, the enormous disappointment of the population and the deep economic crisis and stagnation, were the underlying explanations of the Bolivian Revolution of 1952, one of the most radical in the continent.

During the depression and WWII, the manufacturing sector of Colombia and Venezuela did not grow significantly. In 1950 the share of the manufacturing industry of GDP was around 12% in both countries. Industrial growth was still limited to the sectors that had been developed before the big crisis and remained to be local in character.

The period 1945-1980 was one of higher growth rates and more structural transformation. It was the result of mainly two factors: the new international environment featured by high growth rates in the Western Economies and more trade friendly policies, and the existence of more systematic policies in Latin America with the explicit goal of industrializing the economy and promoting related changes. As usual, the results were not homogeneous. The structuralist approach that came to dominate Latin American developmentalism and best represented by ECLA, went through a first phase in which external links were seen as critical. However, since the 1960s a similar emphasis was laid on the different domestic factors that hindered development: landownership, State capabilities, the educational system, trade structures, and more. As industrialization advanced, the increasing regional differences opened the way for the development of theories and policies of regional development. They played an increasing role as time went by, but they were never dominant and regional development was mainly the outcome of national and sectoral policies.

Brazil was the champion of industrialization: Brazilian manufacturing production made important progress and reduced the productivity gap with the leading world in a significant way (from about 30 to 80% of the Swedish productivity level, Lara 2019). Industrialization was originally developed under populist regimes, and made attempts to increase real wages and apply policies with important social components. However, after the State Cup 1964, the pattern shifted significantly towards a Lewis-like model, in which domestic demand was driven by middle and upper classes, at the time industrial production became more export orientated.

The story of the Euro-American countries showed many similarities, even if the timing differed somewhat. Argentina and Chile had a big push in the 1960s, while Uruguay showed its golden age about a decade earlier. However, the country´s very narrow domestic market, the limits of structural change (Lara 2019) and the attempts to develop an ambitious welfare regime, combined with the deterioration of the terms of trade in the late 1950s, constituted a perfect storm, which should lead to increasing social and political conflict. Similarly, even with nuances, were the Argentine and Chilean cases: both ended, as well as Uruguay, in military dictatorships, that should radically change the growth model, producing drastic shits in relative prices, export orientation and later, in the 1990s, a process of de-industrialization.

Colombia, Peru and Venezuela showed important contrasts. Colombia had already started a process of industrial growth in the 1930s. The process should deepen in 1950-1970 with the development of new branches, as paper industries, metal and mechanics, chemicals. In any case, Colombian industrialization was never a real success. The Venezuelan case was worse. Venezuela remained at the Gold Standard well into the 1930s, which meant, for example, a revaluation of the Bolivar by more than 60% in relation to the dollar, which implied the collapse of the previously developed industries and showed the weakness of social sectors linked to exports. This seems to be a very early version of a Dutch disease. Developments after WWII included two new orientations. First, to expand State control over oil rents, and second to *sembrar petróleo*, i.e., to use the oil rents to promote the expansion of other sectors of the economy, through several institutional innovations. The first one has an important benchmark in 1960, when the State-owned company known today as PDVSA was created, and when oil was nationalized in 1976.

The Peruvian case also shows rather limited development of the domestic industrial sector and its developed continued to be significantly influenced by the ups and downs of different primary sectors in different regions. Public policy was mainly aimed at easing private investment in primary production, through legal security, fiscal exemptions and other economic benefits. It led to an important modernization of these export sectors. Mining and oil extraction experienced a steady growth, while fisheries showed a boom until the early 1972 and then shrimped to a third of the top levels. As Kuramoto and Glave (2014), states, these process implied significant technological improvements. However, they were mainly developed by foreign companies and had very limited spillovers to the domestic economy. Thorp and Bertram (2013) point to the fact that national capitals used to play an important role in times of crisis and depression, while foreign capital tended to concentrate property and investment in expansive cycles. As a result, the process of development was spasmodic, uneven and with relatively low productive integration across the country. As different from other Latin American countries, Peru did not experience an inward-looking industrialization. On the contrary, industrial growth was mainly export-led, very much based on natural resource processing, and produced deep inequalities, not only between the regions, but also within them.

The Mexican case is outstanding. The Mexican Revolution implied a radical change in its development, but there is a lively debate on whether the new industries that sustained post WWII growth were new or the natural continuation of the Porfiriato growth.

By 1940, Mexico was still and overwhelmingly rural society. Since the Revolution, growth has been modest, industrial growth was the leading sector, but its share on GDP did not surpass 15%. However, bad performance seems to have been concentrated during the 1930s, mainly due to procyclical policies and the negative impact of the recession in the US. The industrial process that started with the Porfiriato, continued up to the 1920s (Moreno-Brid and Ros 2009: 89-92).

During the 30 years from 1940 to 1970, the Mexican population more than doubled, GDP grew at 3.2% and manufacturing at 8.2% a year. Urbanization increased from 35 to 58%. Many other connected changes con be mentioned. In order to stimulate industrial growth, a protectionist doctrine was clearly adopted, using similar tools as in other Latin American countries. Once the light industry was developed, policy was orientated towards the development of durable consumer, heavy intermediate and capital goods. As mentioned by Moreno-Brid and Ros (2009), it was not agriculture that subsidized the manufacturing sector, but mainly mining and oil.

The result of these policies in terms of regional development has not been a subject of particular interest in the literature. Checking the most important economic history books of the different countries during the industrialization period, the topic regional or local development is almost not existent. The main questions had to do with domestic or foreign markets, industry vs agriculture, the origin of finance and technology, macroeconomic policy and industrial policy. Regional development was not a problem *per se*.

First during the late 1960s and 1970s this was a matter of concern, but regional policies did not have an important impact. It is possible to say that there were two main reasons behind the interest in regional development. On the one hand, one related to the particular pattern of development of Latin America, very much based on natural resources. The negative trend of the terms of trade since the mid-1950s and 1960s, similar to what happened in the 1930s, had an important impact on some regional economies. The second one is military or geo-political, i.e., the concern of different States with their borders, the security over the territory and the regional balance of power.

The first one is the most important and is also two-folded. The extractive model was featured by enclave production in mining activities, with relatively modest spill-overs to the rest of the economy. In regions where peasant communities prevailed, they were scarcely integrated into the national and world economy. The main gains of production were concentrated in the big cities or even sent abroad. Thus, more and more there was some concern on how the benefits of development could reach the majority of the population. In particular, the question was how to create dynamics of regional and local development. This topic came to the agenda very slowly. It is possible to say that, as a matter of fact, this is something that really took an important place in the agenda in the twentieth-first century. In other words, the concern with local development became important first when Latin America de-industrialized, and the results of a new wave of natural-resource based growth did not reach the wide majorities of the population, and because social policies showed to be unable to solve poverty and poor growth prospects. Industrialization promoted regional development, to some extent, as it demanded increasing amounts of foodstuffs and raw materials for the urban population and industries. Some regional cities which were the core of less developed regions hosted important industries, mainly those processing raw materials produced in the regional countryside. These cities were the support for some regional development. At times, they were particularly stimulated by regional governments. Most of the cases included in this volume, show that regional inequalities were reduced between 1930 and 1970. In spite of that, urbanization *per se* is a process of concentration of population, income and wealth, as well as political power in the big cities. Therefore, reduced regional inequality may go hand in hand with high income inequality.

Then we turn to the second topic, that of national security. Since the nineteenth century, investment in infrastructure and logistics had not only an economic but also a military goal, to be able to reach and defend the frontiers. To occupy the landscape was also important, for that matter. Probably, one of the most important projects in order to promote regional development, was the creation of Brasilia, as Brazil´s new capital city in 1960. The original idea dated from the early nineteenth century, but was first put in action by the developmentalist regime of Juscelino Kubitschek. The Brazilian economy and population were strongly concentrated in the coastal regions, increasingly in the South. Brazil still had a huge frontier to explore, and huge territory to defend. However, during the whole period 1930-1980, the Federal government could not do too much to revert the process of concentration of wealth, income and population in the more dynamic areas around the Sao Paulo-Minas Gerais axis.

Notwithstanding that, already since the 1950s, Brazil took important initiatives to develop the backward regions of the North and North-East. In 1952, during the Vargas regime, the Banco do Nordeste (BNB) was created and, in 1956, during the Kubitschek regime, and with the leadership of Celso Furtado, the working group Grupo de Trabalho para o Desenvolvimento do Nordeste (GTDN) was created, which led to the creation of the Superintendência do Desenvolvimento do Nordeste (SUDENE), in 1959, and later the Superintendência do Desenvolvimento da Amazônia (SUDAM) and the Superintendência de Desenvolvimento do Centro-Oeste (SUDECO).

However, as compared to the impact of national industrialization policies on the development of cities in peripheral regions, the impact of the specific regional policies was marginal (Monteiro Neto et.al., 2017).

In Argentina, industrialization policies had a direct impact on the development of the urban concentrations of the Provinces of the Central Area. However, peripheral provinces were incorporated to the industrialist process following the path developed during the previous period, i.e., production for the domestic market of single agrarian goods, on the basis of an alliance between traditional local elites and investors from the core areas, consolidating the minifundia-latifundia pattern of landownership and on the basis of protection to local production. This was the case of sugar and tobacco in Tucumán, Salta and Jujuy, vineyards in Mendoza and San Juan, cotton in Chaco and Formosa, yerba mate and tea in Corrientes and Misiones. The economic and social Alliance behind these regional economies secured the investment of federal resources in regional infrastructure. In spite of that, there were important differences in the development of these provinces. A particular situation, similar to the Brazilian West, were the Southern provinces and the territory of Tierra del Fuego. There, military reasons lied behind the settlement policy, many times accompanied with productive investment for the exploitation of natural resources, as oil.

They became rich regions in terms of per capita income, mainly due to the scarce population and the relative abundance of natural resources (Cao and Vaca 2006).

In México, one important policy with impact on regional development was the border industrialization program. The establishment of Maquila industries in the North was the result of an agreement with the US, which allowed importing inputs to Mexico tax free, if the production was exported. In turn, US only charged duties over the value-added share.

Other policies of similar character are the free zones. In Brazil, the Manaus Free Zone was first proposed during the Kubitschek regime, but was finally created during the military dictatorship in 1967, as an industrial enclave. This free zone covers now a large area of three different estates of the Amazonia. In Chile, in the late 1960s, under the leadership of president Frei, the Iquique Free Zone was first proposed, because of demographic and geo-politic reasons. It was institutionalized during Allende regime and finally started to operate during the military dictatorship in 1975. In other words, the project survived many different ideological orientations as a policy of common national interest. Quite on the contrary, the Arica Free Zone motor vehicle cluster, developed during the 1950s and 1960s, was closed during the Pinochet dictatorship (Gwynne 1978).

In Venezuela, during the post WWII period, specific funds were created to promote regional development, together with the selection of strategic industries to be developed. According to Moncayo (2013), Venezuela was the first Andean country to explicitly introduce regional considerations in its II Plan de la Nación 1963-1966. Also, in Colombia, and inspired in the French model, the government of Lleras Restrepo presents a regionalization model in order to articulate development policies and, in 1968, passes a constitutional reform in order to decentralize public administration. In the 1970s the spatial dimension of development is present in almost every development plan, as in the IV Plan de la Nación in Venezuela, and the Plan Estrategia Socio–económica del Desarrollo 1971–1991 in Bolivia. The main outcome in the Bolivian case was the steady development and economic weight of the Santa Cruz province.

6. Structural reforms and the reactions against them: recent regional development policies

Recent development has been full of different policy measures directed towards regional and local development. Increasing interest in the topic is the result of important theoretical changes in development theory and policy.

Many strands of thought contribute to that. Human Development theory stress the role of capabilities, the achievement of goals beyond monetary income, the role of institutions. Mainstream theories of development have been challenged from many fronts. Neo-institutionalism stresses the role of democracy, equality, property rights and civil rights. Endogenous growth theories, evolutionism, Neo-schumpeterians and neo-structuralists stress the role domestic capabilities in order to take advantage of technological spill-overs. These theories are combined with local development theories, which stress that development always take place within certain territories, with particular natural, economics, social and institutional conditions. Thus, success is the result of complex combinations of factors. Economic development, by its own, tend to reproduce important inequalities at the regional level, why development policies must be strongly anchored in the particularities of every territory.

These particular ideas found fertile land in Latin America due to three processes. First, Latin Americas divergence was deepened since the 1980s. Second, in the countries which did not experience a profound process of industrialization, regional inequality decreased depending on natural resource endowments, but inequality within the dynamic regions remained very high, as the social transformation was limited and wealth highly concentrated. Policy was needed to produce spill-overs. Third, the countries in which structural change advanced more, regional disparities increased, but, at the same time, social inequalities were reduced or controlled and living standards had increased for most of the population. After the structural reforms, the more industrialized regions faced de-industrialization, increasing unemployment and increasing inequality. Inequality increased within the regions. Natural resource-based development per se did not guarantee improvements in living conditions and the benefits of export-led growth reached a minority.

During the first decade of the 21st century, many Latin American countries were governed by leftist regimes, that tried to reduce the social gap developed particularly during the period of structural reforms. In doing that, people from less developed regions were benefitted. However, it is not clear whether these regions could develop economic and social structures able to make these new benefits sustainable in time.

In Argentina, the dominant discourse was the substitution of efficiency for subsidy. The territories should depend on their rate of return. State enterprises, regional elites, the old industrial elite, gave place to a new financial elite and the entrepreneurial sector linked to agrobusiness in the Pampa Húmeda. A general increase in inequality took place. In the Southern provinces, and after the democratic transition, a significant reduction or resources direct to national security took place, as the confrontation with Chile was significantly reduced. Privatization of State-owned enterprises, as YPF, led to the paradox of increased production but a significant reduction of re-investment in the territory, reproducing the old enclave economy model. The peripheral regions experienced a dual process: the deregulation process left them without the benefits to their productive sector. On the other side, the democratic restauration gave them institutional stability and legitimacy to bargain federal resources for investment in infrastructure (Cao and Vaca 2006).

In Brazil, the crisis of the 1980s and the Plano Real of 1995 implied a significant reduction of the State budget and State policies directed to productive development. The impact on the regional economies was huge and negative. The *superintendencias* were transformed into regional development agencies, with reduced attributions (Monteiro Neto et al. 2017).

Two different factors helped to produce an important policy change in favor of regional development policies: the new expansive economic cycle, that should last until the beginning of the 2010s, and the new government of the Partido dos Trabalhadores.

The new policy present in the Política Nacional de Desenvolvimento Regional (PNDR), tried to overcome the shortcomings of previous policy: the increased disparities in the per capita income of different states; the concentration of resources in the metropolitan areas of the backward regions; the failure of development policies in the arid regions of the North-East; the failure of the industrialization policies in the Amazonia. The new policy had very ambitious goals and a wide conceptual base, full of considerations on human development, trans-scale and multidimensional approaches, transparency, social participation, and more. The priority regions were the North-East, the frontier regions and depopulated regions.

However, the resources available for this policy were limited, the Fundo Nacional de Desenvolvimento Regional (FNDR) was never implemented and regional policy continued to be highly dependent on national and sectoral policies. (Monteiro Neto et.al. 2017).

Peru have experienced, since the 1990s, a process of profound economic liberalization, especially in relation to trade. Free Trade Agreements with the US, Chile and Canada coincided later with the commodity price boom, which attracted much foreign investment in the mining sector. This process went hand in hand with a decentralization policy, that transferred to the regional and local governments much of the responsibilities in terms of social policy and services. The different territories have quite different capabilities and economic resources, and many regional economies are scarcely integrated, as Huancavelica and the Amazonia. The public sector, on the other side, is extremely fragmented and organized in unnecessarily small local units, with very little institutional capabilities (Neyra 2011).

Bolivia followed a similar path. The New Economic Policy of Paz Estensoro was clearly in line of the liberalizing trend: reduce State intervention to investment in infrastructure and social services, promote the private sector and foreign direct investment. In terms of regional development, it substituted the idea of decentralization for that of regional development policy. The leftist reaction of the Evo Morales government and its development plans, did not have the territory as a particular issue. The emphasis was rather on the pluri-national character of the State, strengthening the autonomy of the indigenous people in different regions. The *Complejos Productivos Integrales*, inspired in the concept of Endogenous Local Development, had important implications in terms of regional development. They emphasized the role of coordination of local actors, together with the role of the central government to promote redistribution of wealth and income. Not even in the second development plan of Morales, the territory was one of the four development axes.

Precisely as the previously radical developmentalist Paz Estensoro performed the neo-liberal agenda in Bolivia, the previously State-capitalism defender Carlos Andrés Pérez was the one that led the neo-liberal turn in Venezuela. Accepting that market economy implies unequal regional development, the negative outcomes were to be counteracted by transfers of public funds to the backward regions. Regional development policies were thus weakened. In contrast with Bolivia, and even Ecuador, the leftist turn in Venezuela recovered the pre-liberalization era´s orientations, promoting a wide set of institutions that aimed to achieve an even development in the territory. However, this process, far from empowering local and regional authorities, was strictly led by the central State, thus weakening the capabilities of local authorities.

Colombia followed a similar path of substitution of decentralization for regional development policies, but in this case, policies were tainted and dyed by the increasing role of military insurrection, why decentralization was mainly directed towards the empowerment of local elites in order to strengthen the presence of the State. While since the period of structural reforms regional development policies lost weight, they never completely disappeared; they mainly remained as the territorial expression of sectoral policies. However, the Santos government 2010-2014, placed regional development as a pivotal element. As in many other countries, Colombia also experienced, even if marginally, different initiatives of development policies, based on the territory, as industrial parks, productive clusters and the like (Moncayo 2013).

7. Concluding remarks

This paper aimed to give some context to the studies on regional development in some Latin American countries. The focus was on the main dynamics of the development of the different countries and on the main productive policies implemented, considered in bold terms. We paid particular attention to the existence of development policies that considered regional development as a particular policy approach.

During the first globalization boom, up to 1930, the most important policies with impact on regional development were those directed to the consolidation of the central power of the State to enforce property rights and to invest in infrastructure and logistics. This set of policies made it possible to exploit the natural resource base. In terms of regional development, it can be labelled as a passive policy, as the regions were developed according to their natural endowments, the availability of labor extracted under different social forms, and depending on international demand and prices. However, regional development always had a political, military component, in terms of the defense of the territory. Moreover, the consolidation of the national states went often over the national borders and ended in international conflicts, as the Pacific War. In terms of productive policy, tariffs played an important role as they, during a long period of time, were the main source of resources for the State. In more conservative countries, the protectionist tradition was inherited from the logic of the colonial times. In more liberal regions, they were a fiscal need, but they became more and more used as a systematic protectionist policy for domestic industries.

After the 1929 crash and during the depression, the Latin American countries were forced to be much more active in terms of productive policy. The first reactions were spontaneous, searching to recover equilibrium in a context of a drastic reduction of world trade. It was first after WWII that more articulated industrialization policies took place. By then, regional development was not a problem of particular concern. On the contrary, industrialization, urbanization and the development of services implied an important concentration of income, wealth and political power in the big cities. Some development of regional centers took place, processing new agricultural and mineral products, and in minor cities, but this was not a priority of development policies. Towards the 1960s more clear attempts were made to develop some regional economies, particularly through the creation of free zones, as in the Brazilian Amazonia, Northern Mexico and Northern Chile. The outcomes were the result of national and sectoral policies, rather than of regional development policy, as we understand it today. In many cases, geopolitical considerations were present. In any case, the 1960s and 1970s saw a slow and continued process of planning activity in which regional development was taking an increasing role.

The structural reforms interrupted this process. Together with the bet to rely on private and foreign investment, and reduce the sphere of engagement of the State in the development process, decentralization policies were stimulated. However, decentralization did not mean regional development policy, but local administration of reduced resources, limited to social expenses and infrastructure. In turn, local governments became more and more dependent on the national budget. Regional development policy did not attempt to counteract the disparities arising from allocation according to market mechanisms.

Many intellectual reasons may lay behind the increased interest in local and regional development during the last decades. It coincided partly with the change of political winds in the region, where many countries moved to the left. However, I want to emphasize the fact that the outcomes of industrialization in terms of concentration of power and income, and the process of de-industrialization, both created severe problems for the development of different regions of the Latin American countries. During the so-called structural reforms, and as the agricultural commercial sector improved productivity, and industrial employment receded, an increasing share of the Latin American population enlarged the informal sector, living many of them in miserable conditions. While the recent commodity boom helped to alleviate these conditions and reduce inequality and poverty, the current situation is pressing again many families into poverty. In spite of its increasing intellectual and policy role, regional development policies are still lacking powerful impacts in Latin America

To combine export-led growth, with increasing diversity of exports, based on more complex and deeper productive structures, with an expansion of domestic demand, including a more ambitious supranational regional integration, seems to be goals that local and regional development policies should search for. On the other side, national development policies need to be deeply rooted in the different particularities of the territory and its complex composition.

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