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Capital Flows to Latin America (2003-2017): a Critical Survey from Prebisch's Business Cycle Theory.

Roberto Lampa[1]

Abstract

The economic literature on capital flows to developing countries has shared two important commonalities since the 1990s. Published works (whether they focus on the external situation or stress the domestic determinants of capital flows) tend to assume a beneficial effect of capital inflows, which leads to an improvement of peripheral institutions, whose deficiencies are ostensibly the main cause of economic turmoil and/or failure in attracting capital flows, in continuity with New Institutional Economics. In doing so, mainstream economists deliberately overlook the asymmetric characteristics of the international monetary system and the persisting hegemony of dollar. Raul Prebisch's pioneering work on business cycles in Latin America provide an alternative view, one capable of amending the existing mainstream literature. On the one hand, Prebisch stressed the destabilizing role of capital inflows on Latin American economies, particularly short-term speculative capital. On the other hand, Prebisch designed a set of counter cyclical monetary policies in order to contrast capital volatility, particularly during downturns. An analysis of stylized facts shows that, when correctly updated, Prebisch's theory has remarkable explanatory potential when applied to Latin America's current economic and financial situation.

Keywords: Capital Flows; Raul Prebisch; Currency Hierarchy; Liquidity Cycle; New Institutional Economics;

JEL Codes: O16; O54; B17

1. Introduction

The financial crises that hit Latin America and South-Eastern Asia in the late 1990s/early 2000s highlighted the disruptive effects of capital flows reversals on developing countries. It also triggered a lively debate among mainstream economists, from which two contrasting positions emerged. One group of authors focused on the external conditions underpinning the supply of liquidity towards underdeveloped countries. From

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this perspective, risk aversion in financial markets and the international price of commodities, together with the rate of economic growth and interest rate in the US, represented the main determinants of capital flows. In other words, the so-called *push factors* over capital flows were underlined (Calvo et al. 1993). The proponents of this stance, however, did not suggest the implementation of capital controls; rather, they stressed that financial liberalization and capital flows had several collateral (and beneficial) effects, despite the potential risks for developing countries. The solution, therefore, depended on the transformation of developing countries' institutional framework and monetary governance in response to international investors, aiming at reducing both corruption and government failures (Kose et al., 2006).

The second group of economists stressed that domestic ("pull") factors were mainly responsible for the volatility of capital flows, arguing that international investors' decisions depend on both country-risk and the return on investment (Taylor and Sarno 1997). Therefore, domestic factors play a pivotal role in determining whether capital flows *in* or *out of* a country. In other words, developing countries should have aimed to guarantee a stable and trustworthy environment for investors through *i*) the reduction of their deficit to moderate inflation, and *ii*) implementation of reforms to ensure a market-friendly environment.

Both mainstream arguments emphasize government failures, which in turn reflects the role played by New Institutional Economics (NIE) within development studies since the 1990s. Following Acemoglu and Robinson (2012), economic development is inherently about the "quality" of institutions. In particular, property rights represent the necessary condition for investment, especially in uncertain technological projects and education, i.e. the main prerequisites for long-term economic growth (Lampa and Abeles 2020).

NIE's rising popularity followed several developing countries' crises in the late 1990s (East Asia 1997; Russia 1998; Brazil 1999; Turkey 2000; Argentina 2001). In this sense, NIE represented a response to various contributions questioning the deregulation that preceded those crises. Focusing on the quality of peripheral institutions represented a shift away from blaming bad economic policies recommended by international institutions (liberalization, deregulation, privatization), towards government failures resulting from weak domestic institutions (Lampa and Abeles 2020). In this respect, NIE assumed domestic institutions as *structures* transcending individuals and representing a powerful constraint on patterns of action. In doing so, NIE failed to grasp that the relationship between institutions and development is not linear; rather, it differs across societies and is subjected to changes over time within the same society (Chang 2011).

The most recent literature on capital flows, subsequently, shows no meaningful advance in relation to the original debate between push and pull determinants: several mainstream economists have debated whether the post-2008 crisis can be characterized as a global financial cycle. Proponents of the "push" view (Rey 2015; Bruno and Shin 2015) emphasize that capital flows move cyclically, depending on uncertainty, risk aversion in international financial markets and monetary policy in advanced countries. Meanwhile, the "pull" view, current at the IMF (Cerutti et al. 2017), denies that economic policies in advanced economies of the world could determine capital flows and implicitly blames the policies enacted in peripheral countries.

Both perspectives have mainly focused on empirical issues: they have been mainly descriptive, overlooking both the changing features of capitalist institutions (both in central and peripheral countries) over the last four decades and the asymmetrical power relations of the International Monetary System. Mainstream economists have failed to provide an institutional (and *political*) focus to the drivers of capital flows between the Northern hemisphere and the Global South over the past thirty years and, more specifically, since the 2008 crisis.

Scholars from more critical schools of economics have, nonetheless, tried to overcome the limitations of the mainstream debate. Discussing traditional categories of imperialism in light of changes in international capital flows, Marxist scholars (Patnaik and Patnaik 2016; Smith 2016) have focused on the shift of production processes to low-wage countries. From this perspective, transnational corporations headquartered in the Northern Hemisphere have led the process, cutting production costs and increasing mark-ups by substituting relatively high-paid domestic labor with much cheaper foreign labor. Subsequently, capital flows from North to South was but an optical illusion, since a larger amount of capital (increased by profits) was systemically remitted to developed countries.

While recognizing that this latter critique can capture an essential feature of capital flows towards emerging economies, we are convinced that it misses a crucial point: the pivotal role played by the financial sector of both central and peripheral economies. To this end, it becomes inescapable to complement the picture by drawing on additional theoretical sources more focused on the monetary features of production (Toporowski, 2018; Bellofiore 2018).

Among critical schools, monetary hegemony theory from a radical perspective (Rochon and Vernengo 2003; Vernengo 2006a, 2006b; Fields and Vernengo 2013) and currency hierarchy (Tavares 1985; Kaltenbrunner 2015; Palludeto and Abuchedid 2016; De Paula et al. 2017) shed light on this matter. In their view, the end of Bretton Woods, together with the international liberalization of financial markets, strengthened the U.S. dollar hegemony as assets denominated in this currency replaced gold. Accordingly, developing countries' monetary policy became even more dependent on the rate of interest determined by the Federal Reserve, which inescapably affected the exchange rate as well. In other words, dollar hegemony and currency hierarchy acted as external constraints on peripheral economies, reducing both the degree of freedom of domestic policymakers and the possibility of implementing countercyclical policies. In such a context, the intensified flow of capital between developed and developing countries revealed the increased political and economic dependence of the Global South.

However, except for Vernengo (Caldentey, Vernengo and Torres 2019), this group of authors, rooted mainly in Latin American academia, repeatedly stressed the discontinuity between their approach and traditional Structuralist/Developmentalist literature (Tavares 1985; Palludeto and Abuchedid 2016). In doing so, they ignore a seminal precedent of the debate, represented by Raul Prebisch's early (i.e. pre ECLA-Cepal) analysis of business cycles in Argentina, which he extended to Latin American countries between 1944 and 1948.

As director of Argentina's Central Bank in the post 1929 years, Prebisch observed a reversal in the global liquidity cycle. In that capacity, he stressed that monetary policies in peripheral countries were constrained by the economic policies implemented by developed countries. In particular, the inflow-outflow of capital was mostly the result of both the trend of central economies (whether increasing or decreasing) and their monetary policies, especially in terms of interest rate. However, in line with Marxist analyses, Prebisch emphasized that the pivotal role played by external determinants was nothing but a reflection of the broader (institutional) subjection of peripheral countries to central countries. Accordingly, he qualified the importance of inflowing capital, highlighting that it may have acted as a destabilizing factor. From this perspective, Latin American countries – particularly Argentina – had to create their specific mechanisms to respond to the new international scenario in various ways depending on individual historical and social background.

Prebisch's analysis has crucial implications for the ongoing debate, implicitly highlighting that the present (and critical) state of Latin American economies can be interpreted as an exacerbated version of a recurring problem they suffer from for decades. Drawing on Prebisch's reasoning, we should stress that the main consequence of political and economic subordination of Latin America is that financial and business cycles are driven by the monetary decisions of developed countries. Consequently, post-2008 capital inflows towards the region represent a potential risk rather than an opportunity, eventually leading to financial crises triggered by 'sudden stops', as evidenced by Argentina's 2018 turmoil.

Through the inclusion of Prebisch's insights, the entire debate could move a step forward: since the changing directions of capital flows represent a structural element of disturbance for primary commodity-dependent and financially open economies, the only lasting solution for Latin America is a set of institutional reforms to be implemented at the sub-regional, regional and international level.

Therefore – assuming a critical stance towards the limitations and biases of the mainstream debate on capital flows – this article aims at exploring whether Prebisch's peripheral business cycle theory can represent a consistent way of addressing the omissions in the existing critical literature. More specifically, the objective is to attain a sounder interpretation of the structural constraint on Latin American economies due to power asymmetries embodied in the international monetary and financial systems. By analyzing the Latin American economic scenario over the last 15 years, we also discuss (i) the benefits, or lack thereof, of the significant amount of capital flown into the continent in the recent past; and (ii) if, contrary to the idea of convergence, North-South financial relationships can be interpreted as evidence of an increased financial and monetary dependence.

For that end, Section 2 undertakes a critical review of the contents of the mainstream debate regarding the determinants of capital flows towards emerging economies. In light of such a premise, Section 3 reassesses the critique of mainstream literature in light of Prebisch's business cycle theory. Section 4 presents some empirical evidence on capital flows in Latin America during the past two decades (2003-2017). Finally, in Section 5, we draw some conclusions.

2. Government failures as a constraint on development: the flawed view of mainstream economists on capital flows towards Latin America

The 1990s represented a shift in the traditional approach to economic development. In light of both the change in U.S. foreign policy and the new role played by international – or, rather, 'missionary' – institutions, a process of liberalization took place in several regions, particularly South-East Asia and Latin America. This *nouvelle vague* consisted of a set of prescriptions for underdeveloped governments, well exemplified by John

Williamson's Decalogue (1990), also known as the *Washington Consensus*—originally designed for Latin American countries. Stated succinctly, the Decalogue combined the following measures:1) Fiscal adjustment; 2) Elimination of subsidies; 3) Reduction of tax burden; 4) Moderate real interest rates; 5) Competitive exchange rates; 6) Trade liberalization 7) Liberalization of capital account to attract Foreign Direct Investment (FDI) 8) Privatization of state companies; 9) Deregulation of markets for goods and services 10) Legal security for private property rights (Williamson 1990; Lampa 2018).

In other words, development became a matter of *right* vs. *wrong* domestic policies, strictly related to trade and financial liberalization as well as the creation of a 'market friendly' environment in order to attract capital flows. Implementation meant that the degree of trade and financial openness of Latin American countries grew sharply.

In addition, sub-regional agreements reinforced such a tendency. In the case of MERCOSUR, for instance, trade regulations implied the convergence towards a common external tariff, as well as the liberalization of intra-member trade and a quasi-perfect mobility of labor. Consequently, an unprecedented process of financial deregulation took place in Latin America. With capital mobility becoming operative, exchange rates and balance of payments' net position became both deeply reliant upon capital inflows (Lampa 2018). Any reversal in capital flows immediately produced severe consequences, as evidenced by the impact of the Mexican *Tequila crisis* in 1994, representing the most outstanding example of financial contagion within Latin American countries.

In the following years, similar events (in East Asia, Russia, Turkey, and Argentina) highlighted the crucial role of capital flows, triggering a debate about their impact in developing countries. Economists particularly discussed whether flows were driven by external or domestic factors; that is, were investment in Latin America prompted by the the early 1990s recession in the U.S. or were they due to improvement of domestic fundamentals in these economies (Swarnali 2018).

Fernandez-Arias (1996) and Calvo et al. (1993), on the one hand, argued that external conditions determined the supply of capital towards the region meaning that the recession in the U.S. had been the predominant driver of capital flows towards Latin American countries in the early 1990s. The recession had led to a sharp decrease in U.S. interest rates, which, in turn, induced a change in investment decisions, well reflected by the private capital account (foreign direct investment, stocks, bonds, bank loans etc.) of the U.S. balance of payments. In other words, the main determinants of capital flows were considered to be risk aversion in financial markets, the global trend of commodity prices, the U.S. growth rate and rate of interest. In other words, so-called *push factors* were stressed over capital flows, having unexpected implications in terms of policy.

Contrary, from what one may expect, in light of their analytical premise, these economists did not prescribe certain degree of capital account management in order to avoid *sudden stops* of capital flows. They rather stressed the collateral benefits of financial liberalization for developing countries, which included, first, the predictable increase in foreign ownership of peripheral banks would foster international insertion and "better" (i.e., western type) regulations of the credit branch, resulting in more secure deposits and a reduced cost of capital. Second, financial openness would induce peripheral countries to adjust their public governance and, thus, increase transparency and reduce corruption. Finally, the new scenario would discipline macro policies, reducing the incentives for inflation policies and fixed exchange rate regimes. In other words, the increased intensity of capital flows would not represent a menace for developing countries because financial openness would also enhance their capability of dealing with capital volatility (Kose et al. 2006).

Lopez Mejia (1999), Taylor and Sarno (1997) and the IMF (1993), on the other hand, asserted that domestic factors were mostly responsible for the direction of capital flows.[2] In their view, international investors' decisions are influenced by both risk and return on investment, which are largely determined by the intrinsic characteristics of a particular economy. Therefore, domestic factors would play a pivotal role in determining whether capital flows *into* or *out* of a developing country. More specifically, macroeconomic fundamentals (economic growth and interest rate) and country-specific structural factors (trade and capital openness, international reserves, exchange rate regime, institutional quality, per capita income and financial development) represent crucial features in attracting foreign investors (Swarnali 2018). It followed then that the key factor in Latin America's ability to attract capital flows was the radical turn in the political and economic sphere. The dramatic reduction in both deficits and rates of inflation, together with the neoliberal reforms of the early 1990s, create a market friendly environment which presents a stable and trustworthy scenario for investors. According to this view, *pull factors* become the main determinants of capital flows.

In other words, the whole debate reflected the 'bipartisan belief' that government failures represented a major issue in Latin America, diverging explanation notwithstanding. In a sense, capital flows became a measure of a country's overall economic performance. In fact, debt insolvency, unpredictable macroeconomic policies, the inability to maintain a public surplus and a weak rule of law represented the most important obstacles to capital inflows and provided evidence of the government's inability to implement a consistent development agenda (Williamson 1990; Reinhart 2005).

The solution to capital volatility for both groups of mainstream economists, therefore, consisted of institutional reforms aimed at modifying the detrimental features of peripheral economies. More precisely, the strict adoption of *western-made institutions* became the inevitable path to development for Latin America and other underdeveloped countries. The debate, thus, represented a clear example of the broader role played by NIE within development studies since the 1990s. Incentives for economic agents, property rights and a market-friendly environment became prerequisites for foreign investment that would unavoidably lead Latin American countries to economic prosperity. Notably the agenda of the most important international institutions was re-shaped in accordance with NIE's tenets.

Figure 1 shows the evolution of the World Bank's (W.B.) lending to developing countries from 1960 to 2019. Broadly speaking, the W.B. finances two kinds of measures. First, *Investment loans* that, according to the official definition, finance a wide range of activities aimed at creating the physical and social infrastructure necessary for poverty alleviation and sustainable development. Second, *Development policy lending* (known as 'adjustment loans' until 2004), which consists of rapidly disbursed policy-based financing typically supporting a program of policy and institutional actions, for example, actions aimed at improving the 'investment climate' and meeting 'international commitments'. Whereas *Investment loans* represent traditional support for investment, *Development Policy Lending* seeks to create the conditions for capital inflows, in line

[2] This debate led to an amendment to the IMF Articles of Agreement in September 1997, according to which the Fund had to promote the orderly liberalization of capital movements. See Fischer (1997) and, for a critical stance on capital liberalization, see also Stiglitz (2000).

with NIE's point of view. For decades, *Investment loans* corresponded to over 90% of the W.B. lending budget. However, from the mid-1980s on, they started to decline, shrinking to approximately 65% in 2005. Conversely, *adjustment loans* rose sharply in the same period.

FIG. 1 - Source: World Bank (Online Project Database)

The most recent controversies between the pull and push determinants of capital flows also adhere to the same pattern. Rey (2015) made considerable progress in theorizing the existence of a cyclical trend in capital flows after the 2008 global crisis, driven by uncertainty and risk aversion in financial markets and the extraordinary monetary policies of developed countries. In the author's view, in the post 2008 scenario, the traditional trilemma of a floating exchange rate as the only possible way to conjugate free mobility of capital and independent monetary policy is misleading. Rather, we should discuss a dilemma according to which independent monetary policy becomes possible if and only if the capital account is managed. In other words, it is necessary to introduce capital account management, as well as a countercyclical credit policy during upturns, because of the special circumstances determined by the 2008 crisis. A similar reconsideration also characterizes Reinhart et al. (2016), which shows a connection between capital flows, commodity cycles, and economic crises, thus highlighting that many emerging markets are currently vulnerable to crises, as they face an abrupt fall in both capital inflows and commodity prices.

However, several researchers from the IMF (e.g., Cerutti et al. 2017) state that empirical evidence does not support Rey's conclusions, since only a quarter of capital flows can be explained by a variation in the monetary policy of developed countries. Accordingly, the existence of a financial cycle cannot be taken for granted, and capital account management is unnecessary.

The debate on capital flows determinants produced no fundamental advances. Beyond the diverging opinions on the drivers of capital flows, the prevailing idea shaping the agenda of international institutions still stresses that capital inflows must be paired with good practices and institutional empowerment implemented by developing countries. From this angle, one may conclude that mainstream economists understand capital flows merely as a *technical* problem, and they assume free capital mobility. At this level, they disagree about the drivers of capital flows. Nevertheless, at the policy level, they show a remarkable consensus on financial liberalization in emerging economies. In other words, they conceive capital flows as an allocative problem, irrespective of its cause; that is, whenever capital is misallocated, policy makers should focus on the poor institutional quality of developing countries. In this sense, government failures and corruption in the periphery occupy center stage, becoming a permanent source of disturbance for development. By deliberately ignoring the interplay between peripheral and central institutions, mainstream economists do not question, or even analyze, the agenda of international monetary institutions as possible causes for said disturbances, thus neglecting that they embody power asymmetries between countries. This oversight amounts to a deliberate removal of the political dimension from the question of capital flows.

3. Prebisch's Heretical Vision as a Blueprint for Critical Literature

All the works reviewed in the previous section completely overlook that money is first and foremost a social convention. As such, any economic theory must provide an adequate specification of its social and structural conditions of existence (Ingham 1996). In this sense, the starting point for any analysis of capital flows between developed and underdeveloped countries should be that money is socially produced. Therefore, since it does not emerge from nature, money is a social convention that is 'natural' to any society: in a nutshell, money embodies both social and power relations (Polanyi 1968).

These kinds of considerations are fundamental when discussing problems inextricably linked to the current international monetary system's asymmetric features, mainly because of the privileged status of the U.S. dollar, together with a group of other currencies in the Northern hemisphere. In fact, any development process inevitably implies an adequate supply of international currency reserves, a condition that no underdeveloped country can take for granted since no underdeveloped country issues such currency, with the very partial exception of China that finances itself (Bortz and Kaltenbrunner 2018). All the mentioned articles fail to grasp such a topical issue, implicitly assuming that either the *right* policies or some kind of capital account management would imply, by definition, an unlimited inflow of capitals, automatically driving peripheral countries to develop. Accordingly, the international monetary system becomes an exogenous datum, and the correct domestic policies, rather than the existing international monetary framework define the conditions for development.

A similar flaw also emerges in the controversy surrounding the 'end of imperialism', recently re-ignited by David Harvey's comment to Patnaik and Patnaik (in Patnaik and Patnaik 2016). In line with his previous work, Harvey stresses that current flows of capital are constantly changing direction as a reflection of industrial outsourcing towards emerging markets, thus reversing the historical draining of wealth from East to West. According to him, the use of the theory of imperialism to interpret the structural imbalances of international monetary and financial system should be dismissed.

Despite Harvey's controversial stance, critical literature has generally evidenced a deeper awareness of the asymmetrical features of the international order. In recent years, many Marxists have rejected Harvey's thesis (Patnaik and Patnaik 2016; Smith 2016; Higginbottom 2013; Sutcliffe 2006; Bond 2004), while distancing themselves from mainstream views on the determinants of capital flows. In contrast to these latter works, Marxists have stressed the political and institutional (rather than technical) supremacy of central countries. Assuming that a global labor arbitrage is the key driver of contemporary globalization, Marxist literature has argued that the increase in FDI is a reflection of wide scale productive outsourcing, which is beneficial for developed countries, since capital drawn from the outsourced markets exceeds in-flown capital. Since South-North repatriated profits are greater than North-South FDI, the dynamics in capital flows reinforce imperialist domination over peripheral economies and the extraction of surplus value. Additionally, even South-South capital flows are not in contradiction with the theory of imperialism, since they represent what the Latin American dependency theory had defined as 'sub-imperialism'; that is, a search for valorization of the in-flown capital by the domestic elite of developing countries, normally towards fewer developed countries. From this angle, for instance, capital flow from BRICS countries (particularly Brazil and China) to Africa is an optical illusion rather than an evidence against imperialism, as the elites of BRICS countries resorted to massive capital flight (either to tax havens or to developed countries) once capital previously flown to Africa was repatriated.

Its merits notwithstanding, the re-interpretation of capital flows provided by Marxist literature is circumscribed to the *real* economy. In doing so, Marxist discourse overlooks a crucial point, i.e. that the supremacy of developed countries is also monetary and financial. In this sense, even a powerful and explanatory theory such as imperialism—when correctly interpreted as *financial* imperialism, along the pioneering lines of Rudolf Hilferding—loses its potential. From this angle, one may state that Marxists forgot the lesson of Samir Amin (1976), who described the cyclical trend of capital flows in light of the role played by peripheral countries in international recovery. During depressions, the periphery receives capital flows from developed countries looking for valorization. However, as soon as central economies recover, there occurs a reversal of capital flows, bringing serious consequences for peripheral countries. Similar considerations, nonetheless, can be found among other critical schools, particularly in those authors who focused on monetary hegemony (from a radical angle) and on currency hierarchy.

The former group (Rochon and Vernengo 2003; Vernengo 2006a, 2006b; Fields and Vernengo 2013) stresses that a country is hegemonic when its money is universally accepted at the international level as a means of exchange, a store of value and a unit of account. Being hegemonic means that the country is liberated from any constraint on its balance of payments. From this perspective, the post-Bretton Woods world is undoubtedly characterized by a stronger U.S. hegemony, since the U.S. are not indebted in any currency other than the U.S. dollar. Consequently, the Federal Reserve will always be able, by definition, to buy assets denominated in the domestic currency. In other words, there is no technical possibility of a default for the United States of America. Latin American countries, by contrast, are exposed to a constant risk represented by the scarce supply of U.S. dollars.

On the one hand, sustained economic growth immediately translates into an enormous increase in imports (also because of the pivotal role of transnational corporations within the imports branch). On the other hand, external debt has to be serviced in U.S. dollar. As a result, an insufficient stock of dollars acts as a constraint on the balance of payments, which inevitably conditions economic growth to the direction of capital flows.

Along similar lines, the currency hierarchy approach (Tavares 1985; Kaltenbrunner 2015; Palludeto and Abuchedid 2016; De Paula et al. 2017) emphasizes the negative effects on peripheral countries of the U.S. dollar hegemony. In their view, the end of Bretton Woods, together with Paul Volcker's "dollar diplomacy"—the massive issuance of U.S. debt in the late 70s /early 80s followed by an abrupt increase in the rate of interest—,acted as a disciplining factor on the central banks of the rest of the world, whose rate of interest had to adhere to the Fed's pattern. In addition, the increasing degree of financial openness also implied a greater volatility of exchange rates, depending on the direction of international capital flows. In other words, in the post-Bretton Woods era, the higher hierarchy of the U.S. dollar implied that emerging countries lost control over the most determining factors of their interest and exchange rates. As a consequence, the periphery became a "business cycle taker" (De Paula et al. 2017): the illiquid condition of peripheral countries (i.e., the inability of peripheral currencies to internationally fulfill the three traditional functions of money, determined by currency hierarchy) had to be compensated with financial profitability. Capital flows then followed a cyclical trend, depending on the interest rate differentials between the Northern hemisphere and Latin American countries. When developed countries lowered interest rates, monetary conservatism to attract capital flows were in vogue in Latin America—a policy that represented major constraints to Keynesian/expansionary policies. Inversely, as soon as the monetary policy of developed countries changed, key currencies got stronger, triggering currency crises in peripheral countries.

Despite their illumination of the specificities of Latin America, with the exception of Vernengo (Caldentey, Vernengo and Torres 2019), these two groups of authors neglect a seminal precedent for the debate: Raul Prebisch's early (i.e., pre ECLA-Cepal) analysis of business cycles in Argentina and, later, in Latin American countries. They actually stress the discontinuity between their approach and traditional Structuralist/Developmentalist literature (Tavares 1985; Palludeto and Abuchedid 2016). As early as 1921, Prebisch demonstrated that all the crises that had previously affected Argentina were essentially the consequence of its subordination to the developed world in the international monetary system. In Prebisch's eyes, the crises' driver had always been the unstable international inflow of capital (more precisely, gold) typical to Argentina. As a former Spanish colony subsequently turned into a *de facto* British colony, between 1862 and 1921, Argentina was unable to obtain a stable flow of capital by means of its exports. The age of empire had created a structural distortion in international trade, according to which Argentina had to rely on the unstable price of exported primary goods or on international loans to sustain sufficient gold reserves (Prebisch 1921-1922; Sember 2010). Following Tugan-Baranovsky, Prebisch, then, stated that a financial cycle characterized the Argentinian economy. Stated succinctly, the transmission mechanism consisted of the following stages: when risk aversion was low (which implied a low interest rate in central countries), new loans arrived from developed countries; such loans triggered a monetary expansion and an increase in imports; the balance of payments turned negative, pushing Argentina to ask for new loans to correct external imbalances, which worsened external conditions; loans, then, suddenly stopped, initiating a reversal of capital flows; and a crisis hit the country. In other words, the ultimate causes of Argentine instability were not internal. Quite the contrary, fluctuations in capital inflows were the source of the country's instability and they largely depended on lending countries. Furthermore, Prebisch observed that the inflows of capitals had an adverse effect on domestic banks. Given the productive backwardness of Argentina, the increased capital supply fed speculative activities, which represented an opportunity for rapid enrichment, thus increasing the country's financial fragility. In other words, the disposition of European and American capitalists to lend was the ultimate cause of speculative bubbles in the periphery (Sember 2010). Therefore, the asymmetric monetary relationship between center and periphery converted capital flows into a detrimental element, permanently menacing Argentina's stability.

A decade later, Prebisch contributed to the birth of the Central Bank of Argentina (BCRA). With his theory of financial cycle in mind, he conceived BCRA as a powerful tool to reduce external vulnerability. As a member of the military government, Prebisch took part in the 1932 Geneva conference of the League of Nations, as well as the 1933 London Conference that led to the Roca-Runciman Treaty. In both cases, he realized that Argentina had no international relevance. The solution to its economic problems depended then on a set of anti-cyclical measures to be implemented during the upswing and the downturn of its cycle. Consequently, Prebisch built up a draft of a 'central bank for primary exporting countries', thus rejecting the idea of one-size-fits-all institutional setting proposed by the U.K.. In line with British interests, this consisted of an 'orthodox' Central Bank, merely implementing a fixed exchange regime; a guarantee for financial stability of the numerous British companies investing abroad, against the risk of devaluations.

The birth of BCRA corresponded to a new stage of Argentina's economy in which controls over capital flows reduced fluctuations and instability. As general manager of the BCRA, Prebisch aimed at expanding international reserves in times of prosperity in order to counterweight the outflow of capital during downturns. He also repeatedly insisted on the necessity of limiting bank credit during the upswing. In particular, Prebisch differentiates short-term speculative capital from other types of inflow. In his view, short-term capital originated from lack of speculative opportunities in developed countries. As such, when they entered peripheral economies, their disruptive effects were twofold: first, they expanded imports and second, they had to be repaid promptly, at a higher cost due to interest payments. The overall effect was a sharp reduction of international reserves, which put Argentina in an insolvent position during the subsequent downturns (Prebisch 1939; O'Connell 2001; Sember 2018). In 1937, therefore, BCRA forbade the payment of any interest to short-term capital entering the country. In 1941-42, further capital controls were introduced: remittances were subjected to a formal authorization and had to be compensated in terms of international reserves.

When compared to mainstream literature, Prebisch's work contains several insights still relevant today. First, he puts into perspective the alleged beneficial effect of capital inflows, highlighting the risks connected to an open capital account, as well as the danger short-term capital represented to a peripheral country. Second, Prebisch's description of liquidity cycle rests on different ontological assumptions as the ultimate cause of the cycle is the division of the world into *subordinated* and *dominant* countries, rather than the misallocation of capital due to (peripheral) government failures. Given such premises, Prebisch's conclusions are diametrically opposed to mainstream economists: both central and international institutions are the main actors responsible for capital volatility in the periphery; reversal in capital flows are not an exceptional and isolated fact, triggered by economic crises, but a permanent element of disturbance for peripheral economies.

Prebisch's work represents, moreover, a consistent way of also amending critical literature. A careful rereading of Prebisch shows that the current (and critical) state of Latin American economies is not an unprecedented problem or an unexpected consequence of the monetary turn of the Federal Reserve in the late 70s / early 80s. On the contrary, the post-2008 cyclical trend of capital flows is an exacerbated version of a recurrent problem that has been affecting Latin America since the gold standard era. In Prebisch's days, capital outflow was strictly related to the colonial and post-colonial features of Latin American countries, which, in a sense, are still consequential to present days.

As financial and business cycles are driven by the monetary decisions of developed countries, the post-2008 inflows of capital towards the region represent a potential risk, rather than an opportunity, eventually leading to financial crises triggered by 'sudden stops', as evidenced by Argentina's 2018 turmoil (Lampa and Zeolla 2019).

If this line of thought were upheld, the critical debate might move a step forward: since changing capital flows represent a structural element of disturbance for primary commodity-dependent and financially-open economies, only a set of institutional reforms to be implemented at the sub-regional, regional and international level could offer a long-lasting solution for Latin America.

In the short run – since primary commodity-dependent and underdeveloped economies cannot be modified *ex-nihilo* due to financial and exchange market volatility – such reforms would consist of bilateral payment systems to boost the use of national currencies in sub-regional and regional trade, together with a regional/sub-regional lender of last resort of international reserve currencies (such as the unfinished Banco del Sur project). This would reduce Latin American dependence on the dollar and international financial flows, creating room for higher capital controls.

In the medium-run, both the increased international reserves and the lower financial volatility resulting from the reforms mentioned above, would allow a more resolute transformation of Latin American economies. In this sense, the most remarkable step forward for this group of countries still consists of planned industrialization, focused on the substitution of dollar-saving imports. Along these lines, it is possible to achieve regional self-financing, which results in lower political subordination.

This idea played a pivotal role in Prebisch's mature work, since the publication of the well-known *Cepal's Manifesto* (Prebisch 1949). Despite controversies around Prebisch's solution, a careful analysis of the current situation suggests that no meaningful advancement can be achieved if these problems do not occupy the center of the debate.

4. Capital Flows to Latin America (2003-2017): Drawing an Alternative Interpretation from Stylized Facts

In the previous section, we have shown how Prebisch's theory is still today able to account for some detrimental features of capital flows to Latin American countries. However, it is important to emphasize that the 'solutions' Prebisch implemented – as a central banker – should not be meant as definitive answers to these structural problems, or to expect them to magically convert capital flows into a beneficial tool for economic growth.

Quite the contrary: the anti-cyclical monetary policy, together with a strict set of capital controls, represented a sort of "second best": the possibility of reducing capital flows. Since Latin American countries could not revert their subordinated role in the international trade and monetary system (i.e., the main determinant of capital flows' disruptive effect, according to Prebisch), capital account management had to be a judgment call to avoid major issues such as the recurrent crises of the balance of payments. However, while potentially reducing the financial fragility of Latin American countries, such measures also carried severe consequences on their economies. In particular, restrictions to credit and imports during the upswings (to increase the stock of international reserves) implied the impossibility of developing an industrial sector, which would diversify the productive structure of these primary exporting countries.[3] Besides, in order to prevent capital outflows and/or capital flights, Prebisch implemented a set of exchange control measures, which further hindered the process of industrialization by discouraging imports of capital goods. In sum, in Prebisch's pessimistic analysis, accumulation of reserves and monetary conservatism turned into the price that the

[3] In fact, Prebisch abandoned his role at the BCRA because of a clash with the Argentinean 1943 *de facto* government, which explicitly aimed to industrialize the country.

periphery had to pay to minimize the systemic risk, well represented by the volatility of capital flows.

A careful review of Latin American economies during the last fifteen years suggests that Prebisch's pessimistic stance still influences the economic reality of the region. Figure 2 shows the sharp increase – approximately +50% – in the international reserves/GDP ratio of eight Latin American countries (LAC8) – Argentina; Brazil; Chile; Colombia; Mexico; Peru; Uruguay and Venezuela – in the 2003-2017 period. It is a remarkable piece of data, particularly if we consider that neither Argentina nor Venezuela have actively increased their reserves, for different reasons (debt restructuring and massive capital flight triggered by political instability, respectively). The increase in international reserves has been rather passive; engendered by prolonged surpluses in financial accounts due to capital flows towards Latin America.

FIG 2

Rather than triggering a sharp increase in investment, capital inflows were matched with the accumulation of reserves, which functioned as a typical macroprudential regulation. A similar anti-cyclical policy illustrates that monetary authorities of Latin America, just as in Prebisch's days, have treated capital inflows like a potential risk rather than an opportunity and, have accordingly adopted prudential policies inspired by monetary conservatism.

Differently from Prebisch's days, the whole region did not adopt capital account management based on individual national specificity: it was rather a product of the coordinated actions of central banks. From this perspective, Latin American central banks followed the example of Taiwan, Singapore, Malaysia, India and China, who had previously shown the beneficial effects of limiting capital volatility by means of capital account management (Epstein et al. 2005; Epstein 2009). At first sight, this might suggest that also Latin American countries were able to detach their domestic policies from the international liquidity cycle, reinforcing the autonomy of macro and micro-economic policy and shifting investment toward the long-term (Epstein et al. 2005; Epstein 2009).

Unfortunately, this has not been the case: as shown by Painceira (2008), within the existing financial framework, international reserves could not be used to finance sovereign policies or even countercyclical fiscal policies in times of severe recession, as evidenced by Brazil in 2015-2016 (Lampa 2018). Since the degree of financial openness remained high, international reserves acted as a 'collateral' for foreign investors (both financial and corporations), guaranteeing that the country receiving capital flows would not suffer financial turmoil, sudden stops and/or abrupt devaluations.

From this perspective, the accumulation of reserves represented a logical outcome of the inflation targeting regimes effective since the early 2000s. After a wave of sovereign debt crises hit Latin America, mainstream policies meant a new defensive attitude was adopted to preserve financial liberalization at all costs. Inflation control and the prevention of balance-of-payments crises then became necessary conditions to keep almost free capital mobility (Frenkel 2006). In this sense, the autonomy of macroeconomic policy in Latin America mostly depended on the price of commodities, rather than capital account management, even if the latter tool effectively prevented financial crises and sudden stops.

In other words, as stated by Palludeto and Abouchedid (2016, p. 71), currency hierarchy meant that, even when a peripheral currency market has a high turnover during a liquidity boom, the abundant capital flowing into the country does not translated into a greater ability of its currency to internationally fulfill the three traditional functions of money, and thus achieving a higher political autonomy.

While capital flows to emerging countries did not affect dollar hegemony, they still acted as a "safety valve mechanism preserving the international role of the dollar," preventing global imbalances, resulting from the generation of global liquidity fostered by financialization (Vasudevan 2009). In other words, there has been "no panacea" for the destabilizing role of dollar hegemony in Latin American countries (Vernengo 2006b).

Table 1 focuses on Brazil, probably the most evident example of such a tendency. Even during the years of the most severe GDP contraction (2015-2016), the rate of interest remained high, acting as an obstacle on credit and domestic investors. Only in June 2017 did the Central Bank of Brazil progressively lowered the interest rate, which remained high compared to developed countries. The explanation lies in the necessity to feed capital inflows to achieve a surplus in the financial account capable of compensating the country's current account deficit. The overall importance of this capital inflow was such that total reserves in the U.S. dollar had already reached an unprecedented level of $373 billion by 2012.

TAB. 1

Goncalves (2007) reached similar conclusions concerning Uruguay: despite the high level of reserves, a small country with a relatively big and highly dollarized – financial sector always needs reserve accumulation. Contrary to mainstream economic view, by allowing the unrestricted inflow of foreign capital, Latin American countries have often undermined their own domestic market and increased their dependence on inflowing capital to sustain economic growth.

Additionally, since 2005 capital inflows have been matched by a thorough outflow of capital, even if the net result was a surplus. This is not surprising in itself; financial transactions, by definition, enter the balance sheets twice. As purchases of foreign assets are matched by accumulation of liabilities, it is, thus, expected for gross inflows and outflows (including F.X. reserves) to grow simultaneously. However, as highlighted by Borio and Disyatat (2011), the post-2008 scenario shows an excess elasticity in the international financial system—i.e. remarkably low degree to which monetary regimes constrain the credit creation process and the availability of external funding. The increasing amount of gross capital flows resulting from excessive financial elasticity may potentially foster financial fluctuations or crises in the periphery. Along these lines, Azis and Shin (2015) remark that in the post-2008 scenario, the 'easy money' policy in advanced economies has negatively affected emerging markets, creating widespread financial instability. In few words, this outcome depended on the negative interest rate policy of developed countries, which massively displaced speculative capitals towards emerging markets.

Aligned with Prebisch's views, short-term capital acted as a continuous factor of volatility in Latin American economies in the observed period. The same can be said about Asian countries (especially Japan), the arbitrage/speculative opportunities in Latin American countries were mainly represented by carry trade, which rapidly turned into a structural feature of the international monetary system (Kaltenbrunner and Painceira 2016). Carry trade consists of borrowing in a low-interest rate currency (e.g. USD) and converting the borrowed amount into another high-interest rate currency (e.g. BRL) with the purpose to: (a) place the amount on deposit in the second currency offering a higher rate of interest, or (b) invest it into assets (stocks, commodities, bonds etc.) denominated in the second currency. After this financial valorization, the (increased) amount is changed back into the low-interest-rate currency, netting the speculators an easy capital gain (Lampa, 2018).

In September 2016, Argentina, Uruguay and Brazil still occupied the three highest positions in the global ranking of carry trade. The annual expected gain in USD was +5,84%, +5,13% and +4,2% respectively: a tremendous capital gain when compared to the corresponding values in the U.K. (-0,07%) and the Eurozone (-1,88%) (Barberia 2017; Lampa 2018), which prompts short-term speculation in the exchange markets of the Latin American countries, especially Argentina.

Figure 3 shows the total private flows—the total gross disbursements by the private sector of the creditor country to the recipient country (i.e. equity assets, purchase of debt plus derivatives)—as a percentage of GDP entering and exiting Latin America. It is possible to observe that both curves follow a similar trend characterizing; namely, there is a sharp increase in both outflow and inflow of capitals that correspond to the quantitative easing programs implemented by the Federal Reserve and the Bank of England (March, 2009), on one hand, and the European Central Bank (end of 2011), on the other.

FIG. 3

Short-term capital played an important role in the years examined, having a sharp increase in the volatility of both capital and exchange rates as its main consequence: speculative capitals entered Latin America in search of easy gains, however, as soon as they increased their value, they were repatriated (Painceira 2008).

A final crucial point, going beyond the scope of Prebisch's work, must be discussed: the stocks of capital accumulated in Latin America largely turned into a flow of capital from Latin America to developed countries and tax havens. As evidenced by Table 2, from 2000 to 2015, total financial assets (F.X. reserves; purchase of debt plus other investment; purchase of equity assets) of Latin American countries expanded from 22% to 40% of their GDP.

TABLE 2

Figure 4 focuses on a point raised by Bonizzi and Toporowski (2017), showing that in Latin America, F.X. reserves and purchases debt and hard currencies (i.e., 'other investment') of developed countries had a tremendous expansion, particularly in the post-crisis years.

FIGURE 4

This empirical evidence makes it clear that the most used macroprudential regulation for Latin American countries still consists of purchasing bonds, assets, or currency of developed countries, implicitly assuming that they represent the safest possible investment—certainly not a lack of evidence of the persisting dollar hegemony. In other words, not only did the asymmetric features of the international monetary system not disappear when compared to Prebisch's times, but they also deepened as a consequence of financialization. As if in a sort of 'international division of financial circulation', developed countries turned into providers of cheap global liquidity, flowing into the continent in search of speculative arbitrages. The stock of capital thus accumulated in Latin American central banks turned into a massive purchase of assets, bonds, and currency of developed countries. In a striking similarity to Prebisch's days, the post-2008 scenario was characterized by an increasing financial coupling (Saad-Filho 2014) between central and Latin American countries. However, this tendency was also associated to falling fixed investment, resulting in early de-industrialization and re-primarization, i.e., a real decoupling. Therefore, any kind of optimism about the alleged reversal of capital flows from central to peripheral countries seems largely unjustified. Quite the contrary, the stylized facts presented above support the conclusions of Bruno and Shin (2015): the global role of the U.S. dollar and the prevalence of debt instruments issued in U.S. dollar by borrowers from emerging markets. The implications are evident: since restricting capital flows is also a political decision, the current situation suggests that Latin American countries are not only economically but also politically subordinated to the central countries.

On the other hand, we arrive at results in line with Tooze (2018) and Bonizzi and Toporowski (2017), which highlighted developing countries' role as 'drainers' of assets and bonds from the European and North Atlantic systems. It is worth noting, however, that our data tend to be underestimated, since we do not consider unrecorded and illegal capital flows. Recent studies (G.F. Integrity 2015) have shown that, 'black' and 'grey' transactions reinforce the thesis that developing countries have acted as net creditors to the developed world from the late 1990s onwards.

From this perspective, the profound changes in financial markets have deepened the paradoxical case of capital flows between Latin America and developed countries over the last thirty years. In his inaugural address to the extraordinary CECLA session, Chilean Chancellor Gabriel Valdés (1969) exemplified this paradox in the clearest of ways: 'It is commonly believed that our continent receives actual financial aid from abroad. The data show the opposite. It is possible to state that Latin America contributes to the financing of the United States and other developed countries. Private investment in Latin America has always meant, and still means, that the amount of capital flown out of the continent is several times greater than that invested'.[4]

Concluding Remarks

This article highlights the limitations of traditional views stemming from mainstream economics – about both the determinants and the consequences of capital flows towards Latin America.

Apart from a clear disagreement about the predominance of pull vs. push factors over capital flows, mainstream literature has uncritically accepted the idea that financial liberalization represents a consistent solution to the government failures and bottlenecks (mainly within the capital market) of peripheral economies. Accordingly, the prevailing idea shaping the agenda of international institutions continues to be that the effects of capital inflows are highly associated with good practices and institutional empowerment implemented by developing countries. In line with NIE, economic prosperity becomes inexorably linked to the existence of 'good' or 'bad' institutions, which is to say that the adoption of western institutions by Latin America is conceived as the most fruitful path to development. We have critically discussed the aforementioned literature for its technocratic flaw, which implies a lack of institutional and political analysis of the phenomenon.

[4] Valdes (1969) pp. 46-47. Own translation, cited in Lampa (2018)

Given this premise, we have reviewed the critical literature on capital flows. First, we have shown that, in opposition to mainstream economists, several Marxists have stressed that the main driver of capital flows is the political and institutional supremacy of central countries, exemplified by a wide-scale productive outsourcing driven by labor arbitrage. Second – since the supremacy of developed countries is also monetary and financial – we have recalled other critical schools, particularly those authors who focused on monetary hegemony (from a radical angle) and currency hierarchy. In their view, in the post-Bretton Woods era, the higher hierarchy of the U.S. dollar has implied that most of the relevant factors in determining interest and exchange rates have become external to emerging countries. Consequently, the periphery has become a "business cycle taker".

However, we have also highlighted that critical literature ignores a seminal precedent for the debate, represented by Raul Prebisch's early (i.e. pre-ECLA-Cepal) analysis of the business cycle in Latin American countries, which can be considered as an alternative to the traditional western views on capital flows and development. On the theoretical plane, Prebisch stressed the destabilizing role played by inflowing capital on Latin American economies since capital flows in the periphery were characterized by a financial cycle. When risk aversion was low, new loans arrived from developed countries, determining a monetary expansion and an increase in imports. Accordingly, the balance of payments became negative, and the peripheral country asked for new loans to correct external imbalances. Finally, as soon as external conditions worsened, loans suddenly stopped and a reversal of capital flows arose, eventually developing into a crisis. In this context, at the policy level, Prebisch aimed to expand international reserves in times of prosperity in order to contrast the outflow of capital during downturns. He also stressed the necessity of limiting bank credit during upswings, particularly insisting on the importance of contrasting the inflow of speculative short-term capital. Prebisch's work is based on the underlying idea that the asymmetric monetary relationship between the center and periphery converted capital flows into a detrimental element, permanently menacing Argentina's stability. Prebisch's analysis was particularly influenced by the post-1929 scenario, a moment of systemic disruption in the Global North. His solution also represented the first mechanisms created by a Latin American country to respond to the fatal consequences of the crisis in developed countries.

We have also suggested a possible interpretation of the recent (2003-2017) capital flows to/from Latin America along Prebisch's lines. First, capital inflows served international reserve accumulation, which is a typical macroprudential regulation driven by high rates of interest, acting as a constraint to expansionary policies. In the past fifteen years, monetary authorities of Latin America have, in effect, treated capital inflows as a potential risk rather than an opportunity. Second, short-term capital acted as a continuous factor of volatility in Latin American economies within the period studied. Third, the stock of capital accumulated in Latin America largely turned into a reverse flow of capital from Latin America to developed countries and tax havens, since F.X. reserves and debt and hard currency purchases (i.e. 'other investment') expanded enormously.

In conclusion, the significant amount of capital flown into Latin America during the recent past has not produced the beneficial effects assumed by mainstream economics. In fact, the unlimited capital inflow has often negatively impacted the domestic market and increased dependence on foreign investors to sustain economic growth. This result can be interpreted as evidence of an increased financial and monetary dependence, rather than an alleged convergence process towards developed countries. Prebisch’s theory can, therefore, still represent a consistent contribution in amending critical literature in times of financialization, thus making sense of the debate on capital flows to developing markets.

Rather than adopting western type solutions, Latin American countries would benefit from a profound transformation of the existing international, regional and sub-regional monetary institutions to reduce the hegemonic role of dollar, which still represents a much formidable obstacle to their growth. Whether such a radical reform would be compatible with the present economic order or not exceeds the scope of this article.

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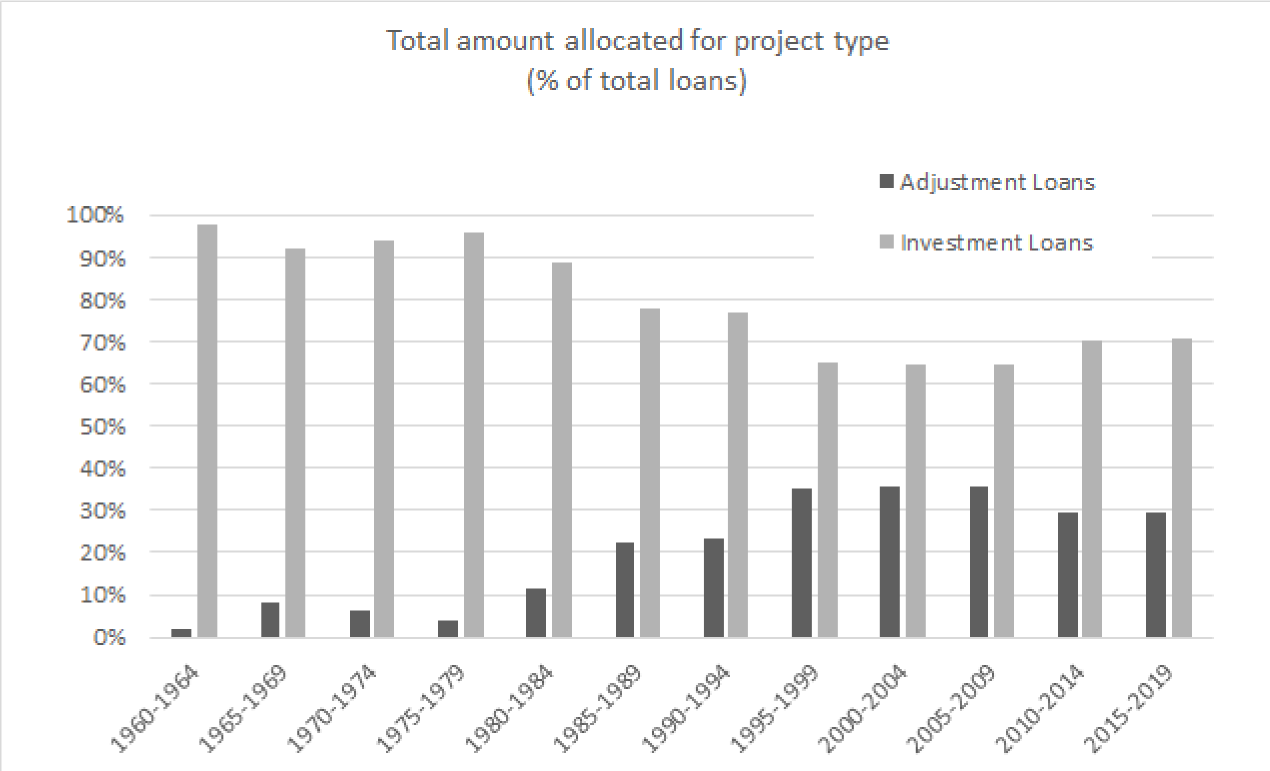
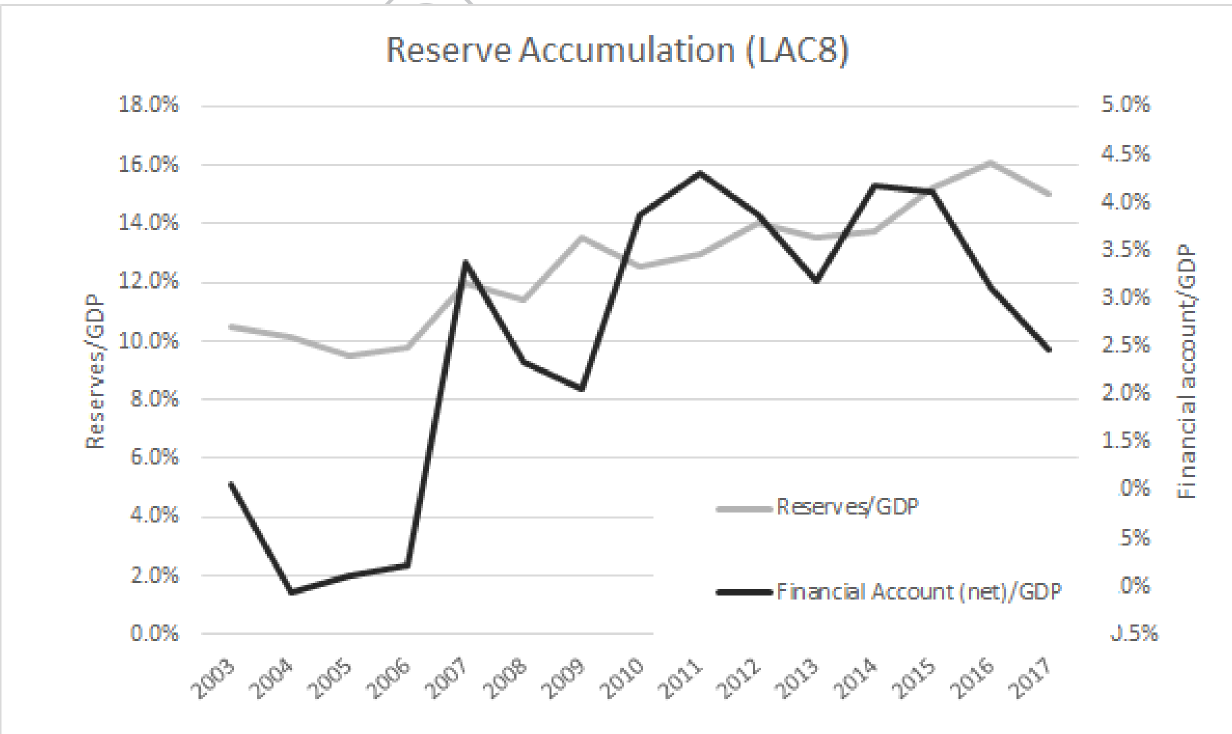
FIG. 1



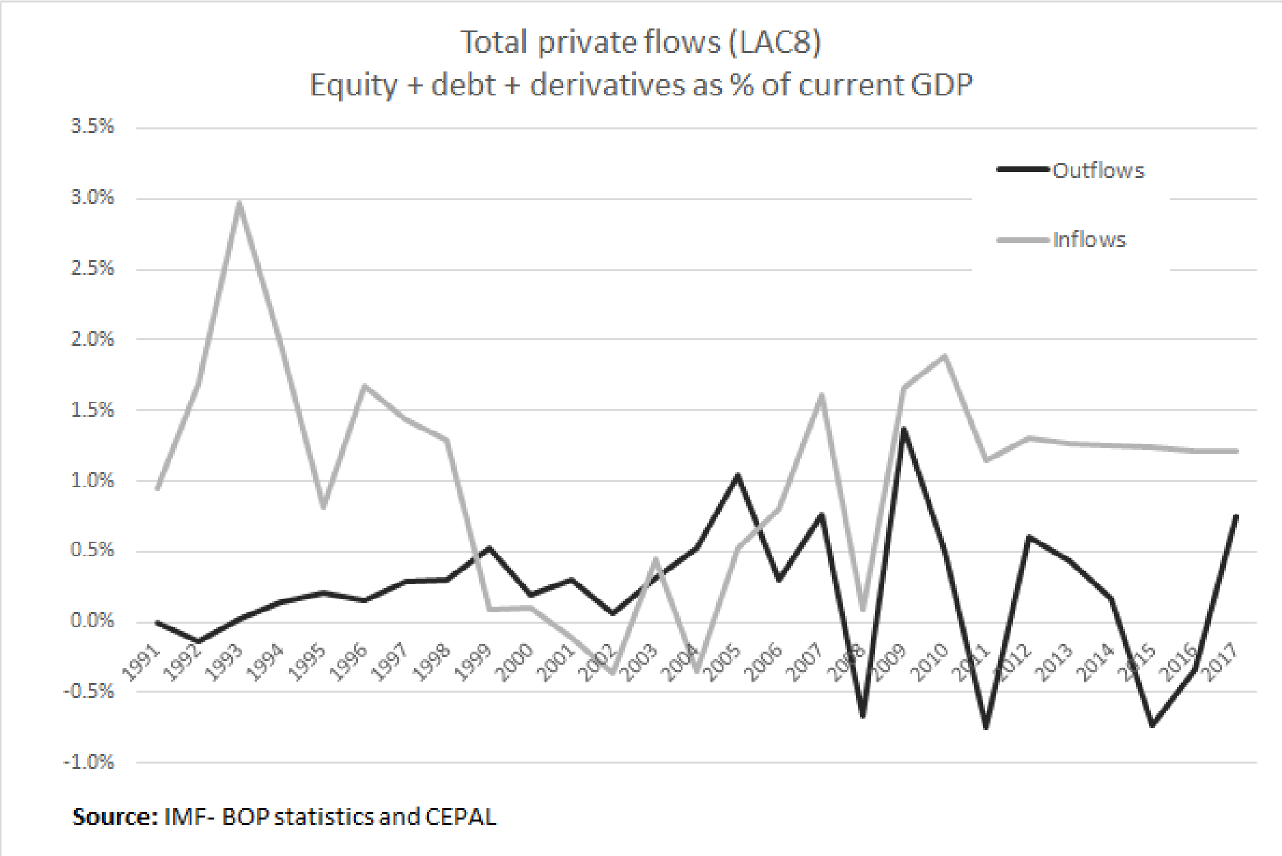
Source: Projects & Operations, The World Bank

FIG. 2



Source: IMF- BOP statistics and CEPAL

FIG. 3


Total private flows (LAC8)
Equity + debt + derivatives as % of current GDP
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
Outflows
Inflows
1991
1992
1993
1994
1995
1996
1997
1998
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2001
2002
2003
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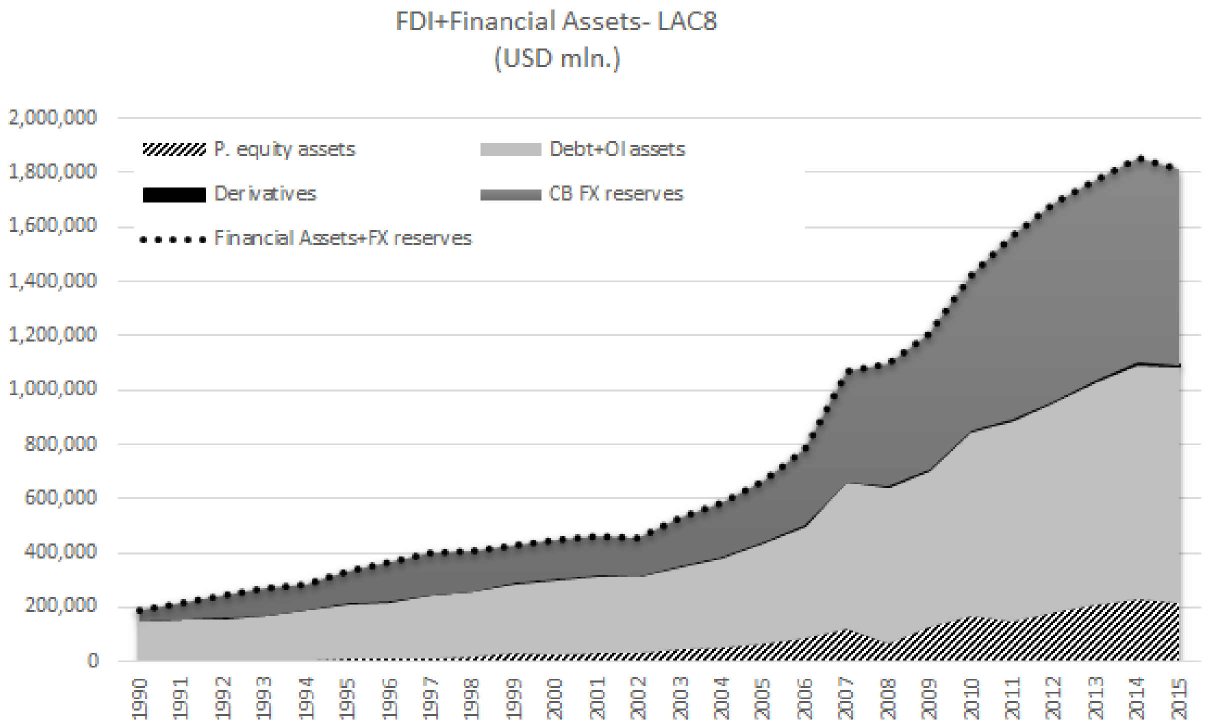
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Source: IMF- BOP statistics and CEPAL

FIG. 4



Source: Lane & Milesi Ferretti (2007)

TAB. 1

Year	GDP growth (%)	Annual Nominal Interest Rate	Current Account (USD mln)	Financial Account (USD mln)	Total reserves (USD mln)
2003	1.1%	16.3%	4,177	-157	49,300
2004	5.8%	17.7%	11,679	-3,532	52,900
2005	3.2%	18.0%	13,985	13,144	53,800
2006	4.0%	13.2%	13,643	16,152	85,800
2007	6.1%	11.2%	1,551	88,330	180,300
2008	5.1%	13.7%	-28,192	28,302	193,800
2009	-0.1%	8.7%	-24,302	70,172	238,500
2010	7.5%	10.7%	-75,824	125,112	287,600
2011	4.0%	10.9%	-77,032	137,879	352,000
2012	1.9%	7.1%	-74,218	92,853	373,200
2013	3.0%	9.9%	-74,839	67,877	358,800
2014	0.5%	11.7%	-104,204	111,454	363,600
2015	-3.5%	14.2%	-59,450	56,730	356,500
2016	-3.3%	13.7%	-23,684	25,791	365,016
2017	1.1%	6.9%	-9,805	11,267	373,972
2018	N/A	6.4%	N/A	N/A	374,715

Source: CEPAL, Banco Central do Brasil and Lampa (2018)

TAB. 2

Country	Total/GDP	Equity assets/GDP	Debt+OI assets/GDP	Derivatives assets/GDP	FX reserves/GDP
			2000		
Argentina	38%	2%	28%	0%	7%
Brazil	10%	0%	5%	0%	5%
Chile	49%	12%	18%	0%	19%
Colombia	23%	1%	14%	0%	9%
Mexico	15%	0%	10%	0%	5%
Peru	27%	3%	7%	0%	16%
Uruguay	59%	0%	48%	0%	11%
Venezuela	46%	2%	33%	0%	11%
LAC8	**22%**	**1%**	**14%**	**0%**	**7%**
			2015		
Argentina	38%	2%	32%	0%	4%
Brazil	26%	1%	5%	0%	20%
Chile	86%	42%	25%	2%	16%
Colombia	41%	6%	19%	0%	16%
Mexico	39%	3%	20%	0%	15%
Peru	51%	13%	7%	0%	31%
Uruguay	71%	1%	41%	0%	29%
Venezuela	93%	1%	89%	0%	3%
LAC8	**40%**	**5%**	**19%**	**0%**	**16%**

Source: Lane & Milesi Ferretti (2007)