

# Chapter 1

## The Reason Why of This Book: An Introduction

Juan R. Cuadrado-Roura and Patricio Aroca

The quantity and quality of the research and publications on Latin American nations' territorial problems and policies have increased substantially over the past decade. However, the fact that the majority of the studies have been published in Spanish and Portuguese has limited their dissemination to the countries in which those languages are spoken. Today, there is a great deal of interest in Spanish- and Portuguese- speaking America for a variety of reasons. The region's increasing weight on a global scale is undeniable due to its population and the dynamism of some of its economies and to the interesting political changes that have taken place and continue to develop in these nations. As such, one should not be surprised by the interest that has developed in the problems, dominant trends, and policies of the countries of Latin America, which has increased both generally and in regard to the specific sphere of the regional, territorial and local.

For all of these reasons, we decided to publish an English language book about territorial issues and the regional policies that have been applied in Latin American countries over the past few decades. Nearly 3 years have passed since we began to develop an outline of the publication. During that period, Springer-Verlag agreed to handle the editing and marketing of the book, and we should note that it did so enthusiastically. This was without a doubt an important source of encouragement for us as editors and for all of the authors who prepared a set of original manuscripts for possible inclusion in the book. Springer-Verlag's support guaranteed that the book would be handled carefully and marketed on an international scale.

All of the manuscripts that were submitted during the first phase of the project were submitted to anonymous review, after which they were revised, edited and the

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data used have been updated wherever possible. One of the conditions to which the authors agreed was that all of the texts be absolutely original.

The experience and earlier publications of the authors and teams that joined the project guaranteed the quality of their contributions. A second basic condition for the project was that all manuscripts contribute clear *added value* beyond that which was already known utilizing the most current data and information possible. An additional condition was placed on chapters that present a specific analysis of a series of countries. In addition to being original work, they were required to have a survey focus. The goal was to ensure that any reader would be able to come away from the text with a global vision of what had occurred in each country regarding the evolution of disparities and other regional problems and the policies applied. Each text also had to offer a selection of bibliographic references for those interested in expanding their understanding of the topic. Something similar was sought in the texts that provide more horizontal and comparative analyses of common issues and problems such as job markets, poverty, fiscal decentralization, and urban problems and the concentration of population and wealth.

The final result of this effort is this 24-chapter book which offers a very current and critical vision of regional problems in the countries of South America and Mexico. Of course, its contents are not exhaustive. It would be nearly impossible to address every single issue that merits attention. We do believe that this volume offers a broad vision of territorial matters in Latin America, the place that they occupy in the societies and economies of the region, the efforts that have been deployed to reduce interregional disparities in income and living conditions, and the challenges that must be faced now and in the coming years.

As the editors of this book, we are quite satisfied with the results, though we are aware that there are problems that we have not been able to address mainly due to a lack of available research. In any case, we trust that this publication will allow other studies to emerge that will complement, update, and expand upon its contents.

The texts that were selected have been organized into three parts. The first consists of more general analyses designed to provide an overview of the problems, dominant trends, and role of territorial policies in Latin America. The second is composed of texts that address a group of countries that is representative of the region but also reflects the differences that exist. The third presents studies that consider more horizontal issues, comparing the unique situations of several different countries. Below we mention some of the characteristics of the studies that make up these three sections.

## **1.1 General Overview: Problems, Trends and Territorial Policies in America Latina Along the Last Decades**

The first part of the book includes seven chapters. As it has been pointed out the aim of this part is to offer a panoramic overview on the evolution of regional disparities in the Region, as a whole, and the most outstanding territorial trends. It also

includes a first analysis of some regional programs and actions put into practice or recently planned.

The editors of this book, Profs. **Juan R. Cuadrado-Roura** and **Patricio Aroca**, are the authors of Chap. 2, which aims are clearly two. Firstly, to underline some arguments and characteristics of recent attitudes about regional problems in Latin America and the increasing interest of International Organizations about them. And, second, to propose the need for regional development policies in Latin America, taking advantage of the period of excellent performances in terms of macroeconomic growth that most economies of the Region are experiencing from the beginning of this century. A departing point supporting to this proposal is the fact that regional economic disparities are actually higher than in other continents. There are examples of Latin American countries where the richest region has an income per capita almost ten times the poorest. Even in cases not having so high differences, the dominant characteristic of such income disparities is that they have not changed significantly along the last decades.

As many authors point out, from politics and macroeconomics it would seem that Latin America is once again facing the dilemma of choosing between promoting more market and promoting more government in policy, particularly in regional policy. Increasing importance is given to the fact that inequalities are beginning to generate strong movements that are opposed to continuing with the concentration of power and wealth in some specific areas within each nation or certain groups within the population. From Central America to the Patagonia and from the Andean countries to Venezuela or Brazil, numerous political movements can be seen claiming for a better distribution of the income, both at personal and territorial level. Undoubtedly, as the authors establish in this chapter, there are sufficient elements and signs to suggest that interregional inequalities merit more attention than they have received over the past decades. But regional development policies cannot be confused with simple redistribution policies or measures taken to combat poverty and improve the wellbeing of low-income individuals or families. Structural changes and long term objectives to develop the backwardness regions cannot be identified to some social programs actually implemented by some Latin American governments. The development of more delayed areas requires profound changes that cannot be achieved through short term policies. They require policies having continuity and not being subject to changes derived from electoral processes or governmental changes. And they require also concentration of actions and policies and not dispersion over all regions of a country. Arguments justifying this type of regional policies and some specific requirements to get successful results are also pointed out in this chapter.

Chapter 3 provides an overview of some stylized facts of development models in Latin America and the dynamics of the socio-spatial inequalities in the past half century. **Jorge Máttar**, actual Director of the ILPES-CEPAL, and **Luis Riffo**, researcher of such Institute, are the authors of this text which is organized in two main parts plus some final reflections. The first part deals with an analysis of the prevailing development models in Latin American and the Caribbean throughout the last 50 years, paying particular attention to the observed changes in the role of

the state and to the predominant ideological ideas. The second part offers a study of long-term trends of the regional economic disparities in some of the most representative countries of Latin America: Chile, Mexico, Brazil, Colombia and Peru, emphasizing the spatial concentration of GDP and population and the slow evolution of regional disparities in GDP per capita, which have even worsened in some cases. Finally, the chapter ends highlighting the increasing importance that territorial development policies seem to have recently, reviewing some particular cases of countries that have plans to implement new approaches and perspectives.

Some final remarks of the authors must be pointed out. The first is the radical change of approaches that can be observed between the decades of 1940–1970 and the 1980s onwards. The core of this important change is the degree of confidence on the role of the market and the state as instruments to promote development and the increasing internationalization of the economies. While, in the first stage the state was almost always the main agent to decide economic policies – including some regional policies experiences – in the second stage the market has been the main protagonist, mainly through privatization of public companies and public services, de-regulation processes, openness to FDI and supporting the role of private entrepreneurship and investments.

The second remark is on the evolution of regional disparities. The main trends observed is that while it is possible to observe interesting transformations in terms of population and the structure of production, as well as some evidence of convergence in GDP per capita, no substantive changes can be observed in the main core subsystems of each country and the strong interregional disparities. This last is calling for more active regional policies and to increase decentralization in terms of governance.

Territorial policy is the main topic of Chap. 4, which was written by renowned professor and expert **Sergio Boisier**. Boisier draws on a very important asset: his direct experience over the course of many years as a member of ILPES and consultant on the design and implementation of territorial policies in many South American and Caribbean nations. This chapter contains impressive ideas and conclusions that will no doubt be of interest to the reader. The text also has a very critical profile in regard to the handling of territorial policies, which are described in terms of benchmarks and in the context of the policy models that sustained them. The author describes the changes that have taken place in regional development policy in Latin America, situating all of this in the context of the nations' various governments and dominant ideological backgrounds. Two ideas are particularly noteworthy. The first is the general trend towards decentralization that has impacted the majority of the countries of Latin America. The second is that many of the changes observed have their roots in theories from those specific periods. As a result, there has been a clear lack of continuity in the actions implemented. Boisier argues that the failure of many policies has to do with both of these phenomena.

Professor **Juan R. Cuadrado-Roura**, from the University of Alcalá, and the engineer and economist **Sergio González**, researcher at the ILPES–CEPAL, have been the authors of Chap. 5, which analyses the relationship between economic

growth and regional disparities in Latin America. The first section of their paper underlines five stylized regional or territorial trends considered by the authors as the most relevant along the last decades in Latin America. That is: the high levels of product and population concentration; the high level of regional disparities within countries that barely have declined; the significant growth of some regions as producers of primary resources; the low progress in decentralization objectives; and the lack of effective regional development policies or the lack of continuity in several countries. Lately, the text analyses in-depth the spatial concentration of population and production as a characteristic of the majority of Latin American countries, as well as the very limited evolution, if not worse, of regional disparities compared to the most positive achievements of the national economies. The authors discuss and show the empirical results of the relationship between economic growth and regional disparities in eight Latin American countries, which should give support to the need of much more active and realistic regional development policies oriented not only to diminish the high territorial inequalities but to increase the economic and social cohesion. In this field the text suggests the three principles that international experiences show as the suitable starting point for a Regional Development Policy. They offer also some guidelines to be considered in terms of objectives, strategies and instruments of such policies, drawn from international experiences.

The problem of concentration and growth is also the central point of the contribution prepared by professors **Manuel Atienza** and **Patricio Aroca**. Their work is included as Chap. 6 of this book. It presents a rich analysis of the trend towards concentration and its effects. Specifically, the authors argue that concentration restricts the growth of many Latin American nations. In addition to reviewing theoretical ideas about the topic, Atienza and Aroca provide empirical analyses that demonstrate the evolution of spatial concentration over the past few decades in terms of both population and economics. Their goal is to show that that spatial concentration affects countries' growth based on the cases of nine very important countries in the region. Their work suggests that the polarized pattern of urbanization has become an obstacle to their growth. The authors identify two groups of countries for which it is recommended that the reduction of spatial concentration become a national policy objective, not only due to reasons of equity but to increase the growth potential of their economies. The first group includes almost all Southern countries: Argentina, Chile and Peru, followed by Uruguay and Paraguay. The second group is formed by most of the countries in Central America. The existing differences between these groups and countries requires particular case analysis, paying particular attention to evaluate the degree to which policies aimed at de-concentration of population and productive activity contribute to promoting their growth.

The last chapter of Part I have been prepared by **L.M. Cuervo**, an experienced researcher of the ILPES, and **N. Cuervo**, economist. Their work, which is presented as Chap. 7, complements the previous study and expands the analysis of the strong urban development that has taken place in Latin America (LA) over the past several decades, connecting it to the regional disparities that persist in the majority of the

countries of the region. The analysis underscores urban primacy as a very dominant characteristic and provides an in-depth study of urban primacy and economic primacy, presenting a comparative empirical analysis based on seven countries. Special attention is paid to the cyclical nature of urban primacy over the past 60 years, showing that the ultimate phase of the diachronic function of primacy is saturation. Nevertheless, the authors remark that the decrease in primacy after saturation is much slower than its increase along its growth phase. Additionally, it shows the appearance of processes of stagnation or reversion of these trends; that is, a take-up of primacy growth again. As the chapter shows, these processes of revitalization of growth in Latin America primacy seem to be associated with the deep economic restructuring that large cities are experiencing across the continent. All this let the authors to analyze and propose the global effects produced by these changes. But, the authors underline some existing differences. Argentina, Peru and Brazil show a permanent relationship between changes in economic primacy and changes in disparities, whereas Bolivia, Colombia, Chile and Mexico show a significant but changeable direction of such relationship. An interesting epilogue closes this contribution proposing some final reflections about the public policy that seems convenient to apply and the need to confront seriously the urban concentration and their consequences in a good number of Latin American countries.

## 1.2 The Necessary Country Study Analysis

It is important to note that while the texts from Part I generally suggest that there are many characteristics that seem to be shared by all Latin American nations, it is also true that there are differences among them. Part II presents seven chapters that provide analyses of regional development problems and policies in specific Latin American nations or groups of nations.

Professors **Luis Quintana and Norman Asuad** of FES-Acatlan and the UNAM School of Economics, respectively, are the authors of Chap. 8, which focuses on Mexico. The title of the chapter suggests the main points that the study addresses, all of which are quite closely linked: Growth, concentration, inequality and Regional Policy in Mexico. Three characteristics differentiate the focus adopted by the authors from other contributions already published on the Mexican case. First, they analyze the evolution of inequality in Mexico under the idea that the spatial unit of analysis is relevant. This leads the analysis to combine the traditional analysis by states with one by metropolitan areas, which they believe represent a regional disaggregation closest to what functional economic region should be. Second, they use new proposals to measure the inequality, not restricted to the traditional analysis of sigma and beta convergence. Third, the analysis seeks to contextualize inequality in the process of spatial concentration of economic activity in the country, showing at the same time how regional policies have helped to consolidate the current concentration pattern and the regional differences that arise in this process.

It is not our place to provide a detailed discussion here of how the authors delve into these three fronts, the empirical evidence that they present and the main conclusions that they reach. The reader can evaluate the quality of the analysis provided independently. He or she also can observe the very clear connections that exist between growth, economic and demographic concentration, and spatial inequalities in Mexico and the changing regional policy actions. The problems and challenges that the country faces from this territorial perspective require a clear strategy as well as continuity in the policies that are applied, the latter of which has always been absent given that policies are linked to government mandates that are limited to 6-year periods.

Colombia presents a set of unique characteristics in this regard as well as points in common with other Latin American countries. **Luis A. Galvis and Adolfo Meisel** of the Banco de la República de Colombia Center for Regional Studies (Cartagena) contributed Chap. 9 of this book. The main objective of this contribution is very clear: departing from some theoretical approaches on the origin and evolution of regional disparities they focus their attention on the Colombian case to show the facts associated to inequalities and regional imbalances. They also highlight the role of the central government through regional policies and the limited success that it has achieved. After a very robust and detailed analysis they conclude that regional economic disparities have been increasing in Colombia over the last decades and the lack of success of the policies implemented to reduce such disparities. Government transfers have actually benefited mainly the most prosperous regions, as there is a positive correlation between income per capita and transfers per capita by the central government. They conclude that a regressive policy has been practiced, which has not favored the poorer areas that are rural and mainly located in the periphery of the country.

As Professor **Carlos R. Azzoni**, from the Sao Paulo University, points out at the beginning of his contribution – Chap. 10 – “being a country with large territory, it is expected that regional disparities would be pronounced in Brazil”. This is true, but it is necessary to analyze deeply the actual situation, the evolution along the last decades and the factors explaining the changes observed. General indicators are presented and analyzed in this text revealing the high degree of economic disparities in the country and its persistency. Figures cover a long period of seven decades and it is clear that concentration and regional inequalities of Brazil are high and relatively stable over time. As for spatial concentration of economic activities the main change is the growth in the north region, related to mining and logging, and in the mid-west region, related to agriculture and agribusiness. So, the main changes are related to resource-oriented activities, led by, or associated to, some governmental programs such as the establishment of a new state capital (Brasilia) in the Mid-west, the design and implementation of a free-import zone in the Amazon, the support given to technological improvement in agriculture making possible for the mid-west to become a great-basket for the world. Any case, it appears that income inequality decreased in the last decade, but this is associated with government social programs. But, it seems clear that there is a long way to diminish the

concentration of economic activities. As Prof. Azzoni concludes “centripetal forces are still surpassing the centrifugal influences of de-agglomeration economies”.

Argentina constitutes a rather singular case, but finally not so different from other LA countries. The text has been prepared by Professor **Victor J. Elias**, with **Mauro Alem**, **Julio J. Elias** and **M.A. Mancino** and it is an excellent contribution to a better knowledge of what has happen along the last four decades in Argentina, from a territorial point of view. The author’s analysis, which has been included as Chap. 11, draw on several factors strongly related to economic development, on the basis of its initial and current value, including: education (human capital), financial sector development, urbanization, exports, productivity, tax burden, size of firms, among others, They also analyze the role of public policy on regional development of the country. As in other countries of the Continent, Argentina is characterized by a large concentration of population and economic activity in one region known as Pampeana, which includes Buenos Aires City and Buenos Aires Province, as well as Cordoba, Entre Rios, La Pampa and Santa Fe. Buenos Aires is, of course, the main concentration of population, economic activities and transportation infrastructures. Any case, as it is shown in the chapter, the main feature of regional development in Argentina is the remarkable diversity across regions and provinces in measured per capita income levels and in growth rates. The convergence in living standards between provinces has been very low along the four decades analyzed and there was little change in the income per capital raking of provinces. Only Catamarca’s region has had an unprecedented growth performance due to the mining, but provinces of the Nordic region lag behind by any economic measure. Regional economic policies during the period have registered frequent changes and most of them were targeted to macroeconomic objectives as to increase exports, industrial production and, some, to innovation and education.

**Patricio Aroca** is the author of Chap. 12 on Inequalities and Regional Policies in Chile. Ten years ago Aroca and Hewings have yet shown that in the case of Chile, even when migration follows the market’s signals, inertial concentrating forces around large cities, particularly around the Metropolitan Region, were stronger, leading to greater concentration rather than a reduction of inequalities of the country. The Aroca’s contribution to this book not only confirms this result but it argues that Chile, starting from the basis that it is one of most inequitable nations in the world and that this situation has a strong territorial component. He argues that between 1990 and 2010, regional differences have grown, presenting a center-periphery type pattern. This is proved in the second section of the chapter where results from the analysis carried out by the author on the evolution of regional inequalities in Chile have increased over time and that their origins lie in government actions and the expansion of the market mechanisms for assigning resources to the production of goods and services. A particular remark can be picked up from the analysis carried out: the analysis of the country from a spatial shows the main profile of inequality in Chile, namely a high concentration of income and the benefits of growth around the Metropolitan Region despite the fact that the growth of production in other regions has been higher. In other words – the author says – this Region has a very strong capacity to appropriate the income generated by



growth in the country. According to the statistical data, the Metropolitan Region shows the highest income of the country and the differences with the rest of regions has grown over the course of a decade. A second group is formed by the southern- and northernmost regions which produce primary goods (cooper, oil and salmon). The rest of regions, which are low-income, are located in the central part of the country to the north and south of the Metropolitan Region. The increase of inequality observed is not only due to the mechanisms of market, but to government actions, which fund designed to reduce regional inequalities has worked increasing the centralism of public spending, the allocation of grants for advanced human capital and the monetary policy of the Central Bank of Chile, mainly oriented to guaranty the prices stability.

Two more countries have been object of specific analysis: Peru and Ecuador, located as Chaps. 13 and 14 of the book, respectively. The Peru's analysis has been developed by an academic team constituted by professors **Maria-Teresa Gallo** and **Ruben Garrido** (University of Alcalá, Madrid) and **Efrain González** and **Juan M. delPozo** (Catholic University of Peru). These authors begin their analysis by showing that this country has experienced high levels of growth over the past few years which was motivated to a great extent by the exportation of primary resources. However, from a territorial perspective and even a sectoral one, this does not seem to have been capable of modifying the old tendency towards divergence among the regions of the country. Overcoming the limitations of the model of 'imbalanced economic growth', or non-inclusive growth as the authors prefer to name it, constitute one of the main challenges of the Peruvian economy. This growth continues to coexist with high levels of inequality and socioeconomic territorial disparities, and thus has not resulted in generalized welfare for broad sections of society and for more diverse territories. As factors explaining this process, the author point out: first, the primary material exports model, largely based in mining, which does not contribute to generate changes for the regions to be capable of endogenously activating regional demand and reducing their rates of rural poverty; second, the dynamism of imports, favored by the revaluation of the 'nuevo sol', does not generate the necessary incentives for investment in productive sectors; and third, the limited distributive capacity of the state, together with restrictions on undertaking and effective decentralization and to improve the efficiency of public expenditure. Final comments from the analysis carried out underline three final points: (1) the advances to close the gap among regions is very limited; (2) the strong and increasing spatial concentration of economic activity, accompanied by greater levels of inequality, configures a type of perverse dynamic of growth, with a strong divergent center (Lima) which scarcely integrates the remaining regions; and (3) that the fruits of decentralization are still scarce as it is not contributing to change territorial economic concentration or divergence among regions. All this is claiming for greater efforts to be implemented with a long-term view and assured continuity in actions.

The analysis of Ecuador has been developed by a group of young academics of the Private Technical University of Loja, **Marlon Ramón**, **Santiago Ochoa** and **Diego Ochoa**. Chapter 14 shows that the case of Ecuador is quite similar to those of

other Andean nations. Over the past few years, Ecuador has managed to grow at fairly high rates. This was due to a significant extent to the exportation of primary products, as is the case in Peru and other neighboring countries. The authors utilize conventional convergence analyses to show that this growth has been accompanied by a moderate decrease in regional differences in terms of per capita product. This reduction is linked to migratory movements, which have resulted in high population and productive activity concentration in Quito and even to a greater extent in the area of Guayaquil. In fact, Ecuador is a highly polarized nation with areas or regions that present notable differences as a result of their physical/geographic characteristics. The analysis shows that the forces of growth are very dependent on elements outside of the country and that exhaustion may have begun, which suggests that there is also an incipient process of regional divergence. The estimates of beta convergence and the Moran index allow us to arrive at a more complete vision of that which is taking place in the country as a whole and to highlight the fact that what occurs in a given region is very much connected to the dynamics and productivity of neighboring regions. From the perspective of regional policy, several observations can be made: (1) notable changes have been introduced in regard to territorial division in Ecuador; (2) there is a limited presence of regional development policies as such with a predominance of sectoral policies that have benefited the most dynamic nuclei, especially Guayaquil; and (3) the current focus is on social equality policies which are more oriented towards the individual or families than an effort to decrease territorial disparities.

### 1.3 Horizontal and Comparative Analysis

The case studies in Part II of the book and the more general trends that are analyzed in Part I clearly do not exhaust the field of possibilities of analysis that a collection like this one should address. As such, a third of the space, or perhaps a bit more than that, was set aside from the outset to include a set of contributions focused on providing more specific analyses of relevant topics such as migration and population, education and human capital, poverty, progress and difficulties linked to greater decentralization, exports, and the regional policies implemented by some countries. The idea was for these chapters to provide information regarding several countries from the region in order to underscore the points of contact and differences in each specific case. It has not been possible to meet that objective in every case, but the great majority of the contributions selected for this book do so.

Part III has ten chapters. The first one, number 15 of the book, has been prepared by Professor **Patricio Aroca** and the researcher of the Population and Development of CELADE- ECLAC Population Division – **Jorge Rodríguez**. The central point is the analysis of demographic trends and internal migrations in several Latin-Americans countries, shows a strong tend to concentrate population around more developed areas.

Even though, the market signals as regional wage differentials, unemployment differentials and growth at regional level, tend to move people in the expected direction and one might be predict a reduction of territorial differences because the market job in reallocating workers, what the authors find is that a large share of the movement is associate to the size of the population at the destination region, which is also the main region of its country. This conclusion rises in the descriptive analysis of the data as well as in the model that allows controlling for several other characteristics.

The main implication of this results endure the conclusion of several other chapters of this volume, that concentration in Latin-America has a strong inertia that will need serious regional policy to revert.

Professors **Miguel A. Mendoza and Jorge Isaac** of the Schools of Economics at UNAM and FES-UNAM (Acatlan), along with researcher **Marcos Valdivia** of UNAM's Regional Center for Multidisciplinary Research, offer a study on Education, Innovation and Economic Growth in Latin America, which is Chap. 16 of this book. We have become familiar with these topics through earlier research but these authors revisit them and offer a truly interesting analysis. The main purpose has been to analyze how economic growth in the LA countries is affected by the linkages between population in school (net enrollment rate) and population with different educational skills enrolled in the job market. In particular, their study focus in whether skilled workers are engaged in the production processes through practices of imitation or innovation of technologies and how this affects growth performance. Figures used come from the Socio-Economic Database for Latin America and the Caribbean, the World Bank and the data set of Educational Attainment of Barro & Lee. The authors examined the challenges facing education in LA on the basis of UN's Millenium Development Goals, concluding that: (1) most countries in LA can achieve the goal of universal primary level education by 2015; and (2) that the workforce with primary level schooling yrs. is relatively homologous among LA countries. The situation is very different when analyzing the enrollment rates and the years of schooling for secondary and tertiary education. Great disparities exist between countries in this case; Argentina and Chile emerge as leaders and Peru, Panama and Chile came top in tertiary and higher education. Actually, the differences in the proportions of the population with complete secondary and tertiary education, accumulated over the past 60 years. do not seem easy to reduce in the short term. And, on the other hand, the links between levels of education and the capacity of innovate or imitate technological processes are very clear, according to the analysis carried out using five economic growth models.

At least in some aspects, the previous contribution is complemented by the paper included as Chap. 17, which adopts a much more regional approach. It has been produced by **Francisco Rowe**, from the University of Queensland, and its title is: 'The Geography and Determinants of Human Capital in Eight Latin American and Caribbean (LAC) Countries'. Using a unique dataset comprising 5,978 city-level regions from eight LAC countries, the paper investigates the evolution of the national stock and spatial distribution of human capital and explores the factors that influence a region's share of human capital. The analysis shows that the

national stock of human capital has increased in all eight countries over the past last five decades to 2010, but it has remained smaller than in advanced economies, such as Japan, Australia and the US. On the other hand, the results accomplished reveal that human capital in LAC countries is concentrated in regions which include areas of main cities and their close surrounds. The findings also suggest that a unique combination of factors collectively play a role in explaining regional differentials in human capital accumulation. Of these, the provision of public amenities is shown to be the most prevalent factor influencing human capital differential in each of LA countries. In contrast, the share of regional foreign-born workforce as a measure of regional diversity only helps to explain regional differences in human capital in the case of Brazil. This original contribution opens a door to new researches on this interesting aspect of regional disparities inside the LAC countries.

The issue of poverty in Latin American nations and its connection to living conditions and particularly wages is without a doubt one of the overarching questions that could not be omitted from this book. Chapter 18 was prepared by Professors **Carlos Salas and Anselmo Santos** of the Universidade Estadual de Campinas in Brazil utilizing data from that country and Mexico. Their analysis show not only the crucial importance of this topic, but the differences which exist comparing both countries. In Brazil, due to a major policy change, incomes have been raising more than in Mexico, jobs were created in the last decade and poverty felt throughout the whole country. Job creation increased also the number of salaried workers protected by the labor and progress to a more egalitarian society has taken place. This let not ignore that there is a group of hardcore poverty areas in Brazil and that standard policies are not enough to rise the living standards of millions of people, due to their isolation, their low levels of education and the impact of poverty riddled generations. The Mexican case shows some specific characteristics and differences compared to Brazil. The greater integration of this country into the US (and Canada) economic area have not lead to a convergence process, whereby the less developed regions started growing faster to catch up the rest of the country, thereby diminishing poverty levels in a more clear and permanent way. Unfortunately, the impact of the actual crisis, starting in 2008, and the slow rate of creation of qualified jobs have had an impact on the general well-being of Mexican workers. Micro economic units (those having less than six workers, including self-employed workers) represent more than 80 per 100 of the Mexican enterprises; they create more jobs than the rest of the economy but their working and payment conditions are bad, which surely explain the surge in poverty levels. It is clear that more education is needed, but the type of jobs being created does not need qualified personal. The chapter includes tables supporting the results attained.

Two different papers included in the book as Chaps. 19 and 20 have focused the problem of decentralization in LA. The contribution of Professor **Clemente Ruiz Duran**, from the UNAM, offers a rich approach to the topic both from a theoretical point of view but also considering the consequences of the dominant 'centralization' being practiced in a great number of LA countries. On the other hand, the contribution written by **M. Camilo Vial**, Ph.D. candidate in Political Science, pays a much more specific attention to the fiscal decentralization through a comparative

analysis of Bolivia, Chile, Colombia, Ecuador and Peru. Both are, without any doubt, two excellent papers, plenty of ideas to extend the debate on centralization versus decentralization, strongly supported by theoretical approaches and empirical analysis. It is difficult to summarize the chapter written by Professor **C. Ruiz Duran** (Chap. 19), from the UNAM, Mexico. His departing point is the Latin America debt crisis and their consequences to analyze later the strengthening local governance comparing the cases of Argentina, Mexico and Brazil structures and the tax distribution among different levels of government, the transfers systems in each of these countries showing a bargaining political process. Other aspects analyzed are expenditures and the trap of megacities, a topic strongly related with the urban and concentration trends studied in Part I of this book. Finally, the chapter try to answer a crucial question: How much decentralization has fostered development? His conclusion is that decentralization agenda has helped to strengthened territorial development in LA, but it has to be recognized that the lack of planning has diminished positive effects. Any case, he underlines the need of studies case by case because there are important differences by countries and the trends to centralize are still dominating.

The contribution by **M. C. Vial** (Chap. 20) offers a panoramic view on the political and fiscal decentralization in the Andean countries (Bolivia, Chile, Colombia, Ecuador and Peru). The aim of the first part of the chapter is focused to describe the decentralization processes held in these countries from the 1980s to now. This overview is complemented by a revision of the evolution of political-administrative division. Differences existing between the countries studied can be simplified considering two territorial units with their own governments that stand out because of their responsibilities, resources and territorial authority: the local governments (municipalities) and the intermediate ones governing the respective provinces, departments or regions according to the different names used). Finally, the author analyzes the processes of fiscal decentralization in each of the countries studied, differentiating transfers from self-generated incomes. The main conclusion is that three decades after the process began, there is no doubt that LA now presents a more decentralized face, which is linked to the advances to a democratic participation. But it is also true that some major decentralizing reforms are limited to formal aspects that do not manage to generate practice or fail to meet the high expectations created, which once again generates incentives for the center to take on greater leadership. Or, perhaps, this has been really due to the lack of real decisions to decentralize.

Chapter 21 offers an specific analysis on the procedures and effects of government transfers, taking Brazil as a reference case. This contribution, prepared by **E. Haddad, C.A. Luque, G.T. Lima, S.N. Sakurai and S.M. Costa**, from de University of Sao Paulo, complements some aspects studied in the two previous chapters. In fact, the Brazilian case is a very interesting example of how work the government transfers to attain social goals and the reduction of personal (and indirectly regional) disparities. Redistributive policies carried out by the central government in Brazil through interregional government transfers is a relevant feature of the Brazilian federal fiscal system. Regional shares of the central

government revenues in the poorer regions have been recurrently smaller than the shares of central government expenditures in those regions. Appeal to core-periphery outcomes could be made, as Sao Paulo, the wealthiest state, concentrated in 2005 over 40 % of total Federal tax revenue, receiving less than 35 % of Federal expenditures. These figures suggest an effective process of redistribution of public funds from the core of the economy to the peripheral areas. The chapter analyses the role interregional transfers play in the redistribution of activities in the country, using an interregional input–output approach. Counterfactual simulations allow the authors to estimate some costs and benefits for the core and the periphery due to such fiscal mechanisms. The final conclusion is that the results are positive in the sense that the Northeast and North regions have increased their share in national GDP, as their shares in total value added effect exceed their respective shares in GDP. Thus, interregional government transfers seem to have had a favorable impact. But, the analysis carried out has also shown that interregional linkages within the Brazilian economy operate favoring the more developed regions, as there are relevant leakages from lagging regions to more developed regions. So, as the authors conclude, “the persistence of regional dualism in Brazil is nonetheless reinforced by the structure of productive interdependence of the economy, as our results have demonstrated”.

The aim of Chap. 22, which author is Prof. **Edgard Moncayo**, has been to analyze the role of regional policies in the Andean countries and their evolution. To understand both is absolutely necessary, as the author underlines from the very beginning, to contextualize the political evolution of such countries, that is, Venezuela, Colombia, Ecuador, Peru and Chile.

From the perspective of major structural trends, Andean regional policies have evolved in a pattern quite similar to most LA countries. These, in turn, have followed the model of the dominant international trends. Such synchronicity can be explained by the fact that regional policies – just like all other public policies – evolve *paripassu* to the role assigned to the State in the processes of development. Regarding their public policies, two clearly distinct periods can be highlighted in the LA context: (a) the post-War period until the late 1980s, and (b) the period dating from that time until the present. In the case of three Andean countries – Bolivia, Ecuador, and Venezuela – it is relevant to distinguish yet another stage, characterized by “post-” or “anti-” neoliberal policies of governments that aim at establishing a new kind of socialism in their respective States.

The analysis carried out by the author concludes with some specific remarks. The first is the continuous presence of a centralism-federalism debate which caused several civil wars and conflicts in the nineteenth century and during the twentieth century. Such conflicts – and contradictions – remain unsolved today in the twenty-first century. The second underlines that during the second half of the twentieth century, Andean regional policies followed a path that is closely associated to the evolution of the role assigned to the State in development processes, and that is very similar to the cycles of the welfare state and regional policy in the developed countries. The third is that the ascendant stage of regional policy in the Andean countries was supported by the greater State interventionism and

‘developmentalism’ (Bolivia, Peru and Venezuela in particular) led towards a substitution of import policies and the export of natural resources. Fourth, the international crisis of the 1970s, the impact of imbalances in the world economy in the 1980s, and the adoption of the neoliberal model in the 1990s determined the dismantling of previous statist policies – as in most of the other Latin American countries – and thus the decline of active public policies, including regional policies.

Finally, disenchantment with the results of structural reforms of the economy inspired by the neoliberal paradigm (the Washington Agreements) and the exhaustion of the political parties that promoted them led to a wave – unprecedented in Latin America – of governments on the left side of the political spectrum. From the point of view of regional policies it must be admitted that they aren’t the most important in the political programs of the leftist governments of Venezuela, Bolivia and Ecuador, much more interested in personal redistribution policies through subsidies and actions oriented to facilitate lodging, healthcare and education without a clear territorial component.

The exports patterns in Latin America contrast clearly to the one in the European Union. While the differences among the European countries export baskets are decreasing over time, the pattern among the Latin American countries shows a rise on specialization (less diversification). This pattern among the countries is also found within two Latin American countries (Chile and Colombia), showing regions more specialized than their country. This is a first remark set up by professors **Miguel A. Marquez, Ma. Teresa Fernandez and Julian Ramajo**, from the University of Extremadura (Chap. 23). There are two important implications of this pattern. Firstly, shocks abroad that impact demand for export will have different impact within the country according to the specialization of the regions. While a negative shock might affect significantly to some regions, it might not affect at all other ones. The chapter includes empirical analysis showing both alternatives and their consequences.

From a regional policy point of view, a government that is aware of these potential impacts should have a policy that compensates those affected regions in order to reduce negative impacts. A model to estimate the potential impact for a country is estimated and the information for regional policy design is generated.

Finally, Chap. 24 includes the analysis of an important aspect of the recent development of Latin American countries: the presence of Foreign Direct Investments and their allocation by countries and sectors. It has been produced by **Michael Penfold and Jose Luis Curbelo**, both linked at CAF, Development Bank of Latin America. The chapter has three main sections. In the first one, the behavior of foreign investment in Latin America is characterized on the basis of various indicators. The second analyses the relevance that Asian investments have been acquiring, with a special focus on China, as well as the investment of the ‘multilatinos’ as a mechanism of intra-regional integration. In this same section some incipient elements relating to FDI are dealt with, such as the location of Research and Development Centers by multinational companies and the emergence of a venture capital industry which has begun to channel investment resources

towards local sectors and companies with innovative potential. Finally, the chapter concludes with the identification of new challenges which the Latin American countries are going to have to deal with in order to increase FDI and, above all, to positively impact in the different economies of the region. These final reflections constitute what the authors have named as ‘the new agenda’ of FDI in Latin America. It must be underlined that one of the characteristics of the most recent trends is the increasing presence of what the authors call ‘multilatin’ companies, which show not only an increasing activity but a much more sectoral diversification. In particular, investments in food and beverages, engineering and construction, steel and metallurgy, transport, petroleum and mining stand out. Furthermore, as they also remark, this is a process in which there is a growing participation of medium sized companies that attempt to emulate the internationalization patterns of large Latin American companies, through which they tend to be integrated as suppliers.

## 1.4 Some Final Remarks

As we stated at the beginning of this introduction, it is clear that we have not addressed every aspect and problem related to the issues that form the focus on these studies. However, the 23 chapters that comprise this book along with this introduction offer numerous elements that can be used to understand the problems and trends that can be observed from a territorial perspective in Latin American and Caribbean nations. These studies also elucidate the types of policies that have been implemented in order to address or reduce the severity of those problems. We have, of course, tried to provide rigorous and objective treatments of the issues. Though they respected basic formatting guidelines and accepted comments and suggestions based on early drafts, the authors prepared their texts with complete freedom.

The final result of the work of the authors and editors is this volume, which we are confident will be well-received and widely circulated as it clearly fills a void that existed in English-language literature on regional problems and policies.

We wish to emphasize two final points.

The first is that, as the reader will note and as we have tried to underscore in this introduction, although Latin American countries have a great deal in common in regard to territorial problems that allow one to identify dominant trends that have emerged over the past six or seven decades, the studies in this book also highlight differences between them.

The second point is that those differences among the countries of the sub-continent make it impossible to apply clichés to the interpretation of what has happened in each of them. This is not only valid in regard to the problems that the countries are facing, but also in terms of the policies (or lack thereof) applied in order to address them. In many cases, these policies present scant results and have been linked to instability and a lack of continuity derived from frequent political changes. In this sense, the much more stable situation of growth that many countries



in the region are experiencing leads us to hope that regional development policies can be implemented that decrease territorial inequality and achieve a greater level of economic and social cohesion and thus increase political stability based on clear advances in terms of social equality in the areas of economics and quality of life.

Finally, as the coordinators and editors of this volume, we would like to thank Springer-Verlag for the support that it has provided for the publication since its inception and all of the authors whose names are listed in this book for their generous collaboration and willingness to bring this project to fruition.

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