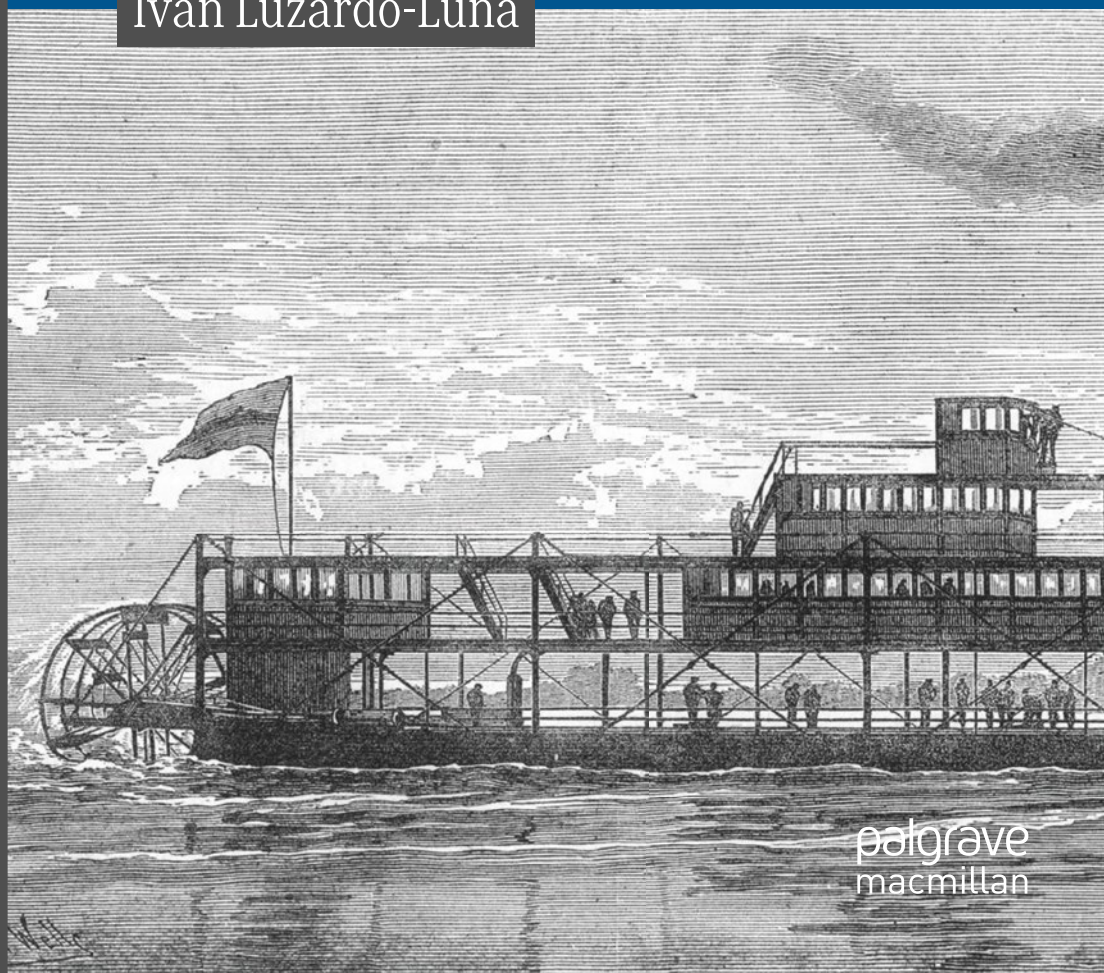




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Colombia's Slow Economic Growth *From the Nineteenth to the Twenty-First Century*

Ivan Luzardo-Luna



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*For my parents Martha and Pablo,
And for my wife Angelica*

PREFACE

The idea of writing this book came after I taught an introductory course on economic history called ‘The internationalization of economic growth, 1870 to the present day’ at the London School of Economics. Several of the classes’ discussions focused on the spread of general purpose technologies as drivers of economic growth. In that sense, those economies that saw an economic take-off in the late nineteenth century were those that were able to absorb steam, the general purpose technology of the industrial revolution. Likewise, the economic growth of the twentieth century was propelled by the diffusion of mass production technology, while since the 1990s, ICTs have become an essential driver of economic expansion.

In trying to establish the parallels of such processes in Colombia’s history, it became evident to me that each one of these three technological waves came to that country very late. To understand the reasons behind such tardy behaviour, it is worth noting that other Latin American countries were able to take advantage of these technological waves. Argentina quickly absorbed steam technology in the 1880s and built a world-class railway network. Mexico started using mass production technology on a significant scale in the 1930s and became an important exporter of manufactured goods during the Second World War. Chile conducted an early economic liberalisation and implemented structural reforms in the 1980s, which allowed it to gain large investments in ICTs in the 1990s, propelling its service sector in the first two decades of the twenty-first century. These three successful examples of countries with the same colonial origin indicate that the reasons for slow economic growth go beyond institutional path dependency.

The economic slowdown Colombia has experienced since 2015 led to many observers putting forward productivity stagnation as the most critical reason behind Colombia's low potential growth. The productivity problem, however, has been a pattern of the Colombian economy since the late nineteenth century, and therefore, the study of economic history is useful to find a convenient solution. The slow productivity growth is ultimately the slow technological transfer or the delays to embracing the general purpose technologies.

The book is also the result of the exchange of ideas with many people. I would like to thank Antonio Celia for our long conversations about Colombia. Also, I would like to acknowledge and thank Juliana Jaramillo, who helped me to think about this book and generously shared a lot of historical statistics. In writing this book, the discussions at the office with my PhD colleagues Mauricio Canals, David Escamilla, and Enrique Jorge-Sotelo, who helped me to compare the Colombian case with others in Latin America, were essential. Likewise, I would also like to thank Edoardo Altamura, Sebastian Alvarez, Roy Miller, and Martin Monsalve, for their comments and conversations in workshop on the Latin American 1980s debt crisis at Oxford. Feedback from Andrew Primmer was also important due to his exceptional knowledge on the history of railways in Colombia.

I would also like to thank, for the conversations on this book, Eduardo Posada-Carbo, Enrique de la Rosa, Andrés López, Rafik Neme, and Sebastian Nieto, and many others that I am probably forgetting at this moment.

I would also like to thank Professor Kent Deng, the editor of *Palgrave Studies in Economic History* for his valuable feedback, as well as an anonymous referee. I would like to especially thank Laura Pacey and Ruth Noble, economics commissioning editors, who believed in this project. Likewise, I thank Clara Heathcock, Sophia Siegler, and Mark Freeman for their support in producing this book.

From the bottom of my heart, I would like to thank my parents Martha and Pablo for their permanent encouragement and sharing with me their anecdotes about the Colombian economy in the import substitution era. I could not have written this book without the unconditional support of my wife Angelica, whom I sincerely thank for her patience and love.

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The Particular Colombian Case in Latin America: A Singular Path with the Same Results

Abstract Despite similarities with other countries in the Latin America, Colombia's trajectory to development has been unique. If we need to oversimplify why the main Latin American countries do not yet have advanced economies, the short answer would be: deep and frequent economic depressions. If Colombia did not experience a depression since 1903, why did not this country do better?

Colombia's problem is that it historically grew driven by input factors (capital and labour) accumulation rather than by productivity, which has remained stagnant for long periods. Productivity growth has depended on countries' capacity to embrace technological progress. This book analyses how Colombia missed three technological waves of the last three centuries: steam, mass production, and Information and Communication Technology (ICT), and compares it with Argentina, Mexico, and Chile, respectively.

Keywords Economic growth • Productivity • General purpose technology • Steam • Mass production • ICTs

The economic history of Colombia is a story of a country that has swung between long periods of slow growth and short cycles of accelerated economic expansion. This unbalanced performance resulted in Colombia