

8-15-1991

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Recommended Citation

Khol, Barbara. "Commentary On Effectiveness Of Neo-liberal Economic Policy In Latin America." (1991).
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Commentary On Effectiveness Of Neo-liberal Economic Policy In Latin America

by Barbara Khol

Category/Department: General

Published: Thursday, August 15, 1991

In a recent article published in daily newspaper Le Monde, Claude Bataillon and Yvon le Bot members of the National Scientific Research Center (Paris) question the effectiveness of neo-liberal economic policies in Latin America. The two scholars describe policies adopted by almost all governments in the region as "a wild liberalism without mechanisms of redistribution or compensation, and without guarantees for the future." The neo-liberal policy package focuses on trade liberalization, deregulation of exchange rates, elimination/reduction of subsidies, and privatization of state-run companies to reduce the fiscal deficit. Next, Bataillon and Bot point out that public spending cuts have resulted in deterioration of physical infrastructure, and of transport, education and health systems. Meanwhile, the population using these services has increased. In the 1980s, aggregate GDP declined by 8.3%, and by more than 20% in Argentina, Venezuela, Peru, Nicaragua and Bolivia. Positive growth was limited to Chile and Colombia, and to a lesser extent, the Dominican Republic. With the exceptions of Chile and Colombia, all Latin American nations continue to struggle with heavy foreign debt burdens. Combined with low levels of domestic savings, investment capacity is limited. Bataillon and Bot noted that de-industrialization and privatization have resulted in the growth of the informal sector throughout the region. Neo-liberal policies have caused the collapse of wages and salaries, especially for the middle class. (Basic data from Inter Press Service, 08/06/91)

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