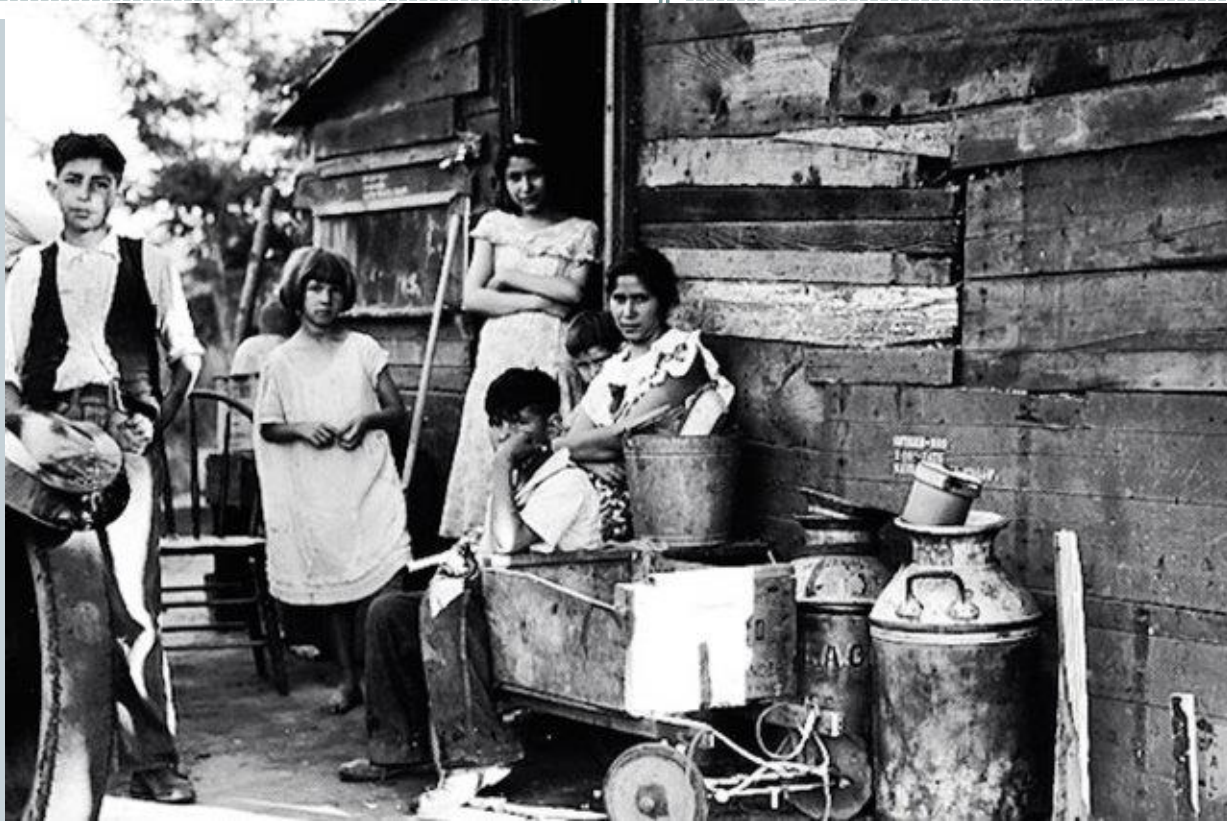


The Great Depression and Import-Substitution Industrialization



Growing Class Divisions



- Organizing working class vs. upper class
- Divisions within upper class
 - Concessions vs. Hard-liners
- Ineffective leftist political parties
- Politics became dominated by “populists”
 - Ideology mattered a lot less than personality and rhetoric



World War I and Its Aftermath



- World War I (1914-1918)
 - Initially, exports from Latin America dry up
- After war, things get really good!
 - Then really bad
 - Example: [Cuba](#)'s “Dance of the Millions”
- Why no increase in manufacturing?
- 1918-1929 = average 1% growth/year in int'l trade
 - Also, growing number of trade competitors

The Great Depression



- By 1930, still many countries in Latin America that are dependent on a single export
- 70% of all foreign trade comes from four powers
- Great Depression (1929-1939)
 - Stopped the flow of goods into/out of Latin America



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- Recovery:
 - Quick = Brazil, Mexico, Chile, Cuba, Peru, Venezuela, Costa Rica, Guatemala
 - Slow = Argentina, Colombia, El Salvador
 - *Very* slow = Honduras, Nicaragua, Uruguay, Paraguay, Panama

World War II and Its Aftermath



- World War II (1939-1945)
- Economic impact?
 - Decreased int'l trade
 - War-time inflation
- Created social tension in Latin America
- After the war, exports go from bad to worse
 - US investments in Europe = little investment in Latin America

Import-Substitution Industrialization (ISI)



- **Focus on manufacturing**
 - Governments feel the need to get involved
- **Latin American countries restrict imports**
 - Want to replace imports with locally-produced goods
- **Pros?**
 - Protects jobs
 - Launches manufacturing sector
- **Cons?**
 - Inefficient industry
 - Still dependent on foreign capital
- **1950s = stagnant economies in Latin America**