

---

# Economic Crisis and Policy Choice

THE POLITICS OF ADJUSTMENT  
IN THE THIRD WORLD

*Edited by*

*Joan M. Nelson*

PRINCETON UNIVERSITY PRESS  
PRINCETON, NEW JERSEY

# Contents

---

|  |     |
|--|-----|
| <i>List of Figures and Tables</i>  | vii |
| <i>Contributors</i>  | ix  |
| <i>Preface</i>   | xi  |
| CHAPTER ONE  |     |
| Introduction: The Politics of Economic Adjustment in Developing Nations                          | 3   |
| <i>Joan M. Nelson</i>  |     |
| CHAPTER TWO  |     |
| Orthodoxy and Its Alternatives: Explaining Approaches to Stabilization and Adjustment            | 33  |
| <i>Miles Kahler</i>  |     |
| CHAPTER THREE  |     |
| Stabilization and Adjustment in Argentina, Brazil, and Mexico                                    | 63  |
| <i>Robert R. Kaufman</i>   |     |
| CHAPTER FOUR   |     |
| Politics and Economic Crisis: A Comparative Study of Chile, Peru, and Colombia                   | 113 |
| <i>Barbara Stallings</i>   |     |
| CHAPTER FIVE   |     |
| The Politics of Adjustment in Small Democracies: Costa Rica, the Dominican Republic, and Jamaica | 169 |
| <i>Joan M. Nelson</i>  |     |
| CHAPTER SIX  |     |
| The Political Economy of the Philippine Debt Crisis  | 215 |
| <i>Stephan Haggard</i>   |     |
| CHAPTER SEVEN  |     |
| Lost Between State and Market: The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria | 257 |
| <i>Thomas M. Callaghy</i>  |     |
| CHAPTER EIGHT  |     |
| Conclusions  | 321 |
| <i>Joan M. Nelson</i>  |     |

vi • Contents

*Statistical Appendix: Thirteen Countries, 1979–1988*

363

*Index*

371

## Figures and Tables

---

### FIGURES

|     |   |    |
|-----|---|----|
| 1.1 | External Shocks in Thirty Countries (1979–1982)   | 20 |
| 3.1 | Monthly Inflation Rates, Argentina (January 1985–April 1987) and Brazil (January 1984–January 1987) | 81 |

### TABLES

|     |  |     |
|-----|--|-----|
| 1.1 | Selected Indicators of Economic Trends and Structure                                   | 14  |
| 1.2 | Selected Indicators of Social Structure  | 15  |
| 1.3 | Regime Types: Nineteen Governments   | 23  |
| 1.4 | Net Official Development Assistance  | 26  |
| 1.5 | Net Long-term Capital Transfers  | 27  |
| 1.6 | Policy-based Loans from the International Monetary Fund and the World Bank, 1979–1988  | 28  |
| 3.1 | Argentina and Brazil: Economic Performance in the 1980s                                | 77  |
| 3.2 | Mexico, Argentina, and Brazil: Annual Rates of GDP Growth and Inflation, 1946–1970     | 93  |
| 3.3 | Changes in Mexican Minimum Daily Wage Levels, 1945–1966                                | 94  |
| 3.4 | Mexican Economic Performance in the 1980s  | 101 |
| 3.5 | Mexico, Argentina, and Brazil: Average Real Wages, 1982–1987                           | 103 |
| 4.1 | Peru: Growth, Inflation, Balance of Payments, 1955–1985                                | 120 |
| 4.2 | Chile: Growth, Inflation, Balance of Payments, 1955–1985                               | 121 |
| 4.3 | Chile and Peru: Foreign Debt Indicators, 1980–1987                                     | 123 |
| 4.4 | Chile and Peru: Macroeconomic Indicators, 1980–1988                                    | 127 |
| 4.5 | Colombia: Growth, Inflation, Balance of Payments, 1955–1985                            | 152 |
| 4.6 | Colombia: Foreign Debt Indicators, 1980–1987   | 153 |
| 4.7 | Colombia: Macroeconomic Indicators, 1980–1988  | 156 |
| 5.1 | Costa Rica, Dominican Republic, Jamaica: Selected Economic and Social Indicators, 1980 | 171 |
| 5.2 | Costa Rica, Dominican Republic, Jamaica: Macroeconomic Trends, 1965–1980               | 173 |
| 5.3 | Costa Rica, Dominican Republic, Jamaica: External Shock Indicators, 1979–1986          | 175 |
| 5.4 | Costa Rica, Dominican Republic, Jamaica: Macroeconomic Trends, 1980–1987               | 177 |
| 6.1 | The Evolution of Philippine External Debt, 1972–1987                                   | 227 |

|     |   |     |
|-----|---|-----|
| 6.2 | Chronology of Major Philippine Political Events of the Marcos Period, 1973–1986 | 229 |
| 6.3 | Philippine Export Performance under Martial Law                                 | 231 |
| 6.4 | Philippine Economic Crisis Indicators, 1980–1985                                | 235 |
| 6.5 | Philippine Business Views of the Aquino Government, March–July 1986             | 246 |
| 7.1 | Ghana, Zambia, Nigeria: Macroeconomic Indicators, 1980–1987                     | 267 |
| 8.1 | Adjustment Decisions and Implementation: A Rough Typology                       | 322 |

## APPENDIX

|      |  |     |
|------|--|-----|
| A.1  | Real GDP Growth  | 363 |
| A.2  | Real Per Capita GDP Growth   | 364 |
| A.3  | Current Account Balance as Percentage of GDP   | 364 |
| A.4  | Terms of Trade   | 365 |
| A.5  | Real Effective Exchange Rate   | 365 |
| A.6  | Trade Ratio  | 366 |
| A.7  | Service on Public and Publicly Guaranteed Debt as Percentage of Exports of Goods and Services  | 366 |
| A.8  | Interest on Public and Publicly Guaranteed Debt as Percentage of Exports of Goods and Services | 367 |
| A.9  | Total External Debt as Percentage of GNP   | 367 |
| A.10 | Short-term Debt as Percentage of Total Debt  | 368 |
| A.11 | Public and Publicly Guaranteed Debt as a Percentage of Long-term Debt                          | 368 |
| A.12 | Money plus Quasi-money: Annual Growth  | 369 |
| A.13 | Consumer Price Changes   | 369 |