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The determinants of railway development in Latin America before 1914

Abstract

Railways were one of the main growth engines of Latin American economies during the first globalization boom. This paper analyses which were the main determinants of differences in railway development among Latin American countries, i.e. which factors made some destinations more attractive than others for foreign investors. It tries to ascertain if differences in railway expansion were mainly the consequence of fundamental geographical characteristics or if institutional factors and financial rationing dynamics had also a significant effect on each country's degree of railway development. The results of the analysis provide evidence in favour of a significant impact of political instability and financial rationing on the pace of railway expansion in each country. This might be taken as evidence that the first globalization constituted a lost opportunity for some Latin American economies, which could not take advantage of all their economic potential.

Keywords: Railways, Latin America, Pre-1913

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