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Abstract

The paper presents an empirical investigation into the determinants of long-run growth for ten Latin American countries based on the balance-of-payments constrained growth model developed by Thirlwall (1979) and McCombie & Thirlwall (1994). One of the goals is to estimate the income elasticities of imports in order to test Thirlwall's law and see how well this model can be used to predict long-run growth in Latin America. Our empirical results suggest that Latin American economies need to accomplish significant changes in their specialization of production if the goal of sustainable high long-run growth rates is to be achieved. It is fair to say that it is necessary to pursue, at the same time, an increase in the growth rate of exports and a lower income elasticity of the demand for imports.

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