
The Association between U. S. Investment Incentives and Capital Flight from Latin America: A Historical Analysis

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ABSTRACT

Capital flight from developing countries creates many problems, including retarding economic development. Latin American countries in particular, with their proximity to and historical relationship with the U.S., have had noticeable capital flights, which mostly were destined for the U.S. There are indications that investment inducements offered by the United States may have had a role in capital flight from Latin America. Thirty-eight years of historical data from 1950-1987 for all Latin American countries and the United State interest rates were analyzed. The study found strong and significant correlations between capital flight from most Latin American countries and the United States' interest rates.

Keywords: Capital Flight, U.S. Interest Rates, Latin America, Developing Countries, Historical Analysis.