try had robust per capita growth of 3.2 percent per year".[13]

Then Mexico slid into a series of debt crises, driven by external borrowing based on the rents conferred by spiking oil prices. The more oil Mexico found (e.g., the Campeche oil discoveries of the late 1970s-early 1980s) the greater the eventual magnitude of its problems became. Curiously, Easterly draws no linkage between the fixed exchange that prevailed from 1950 to 1972 and the strong growth of that era; nor does he link the end-year of that period to the changes going on at that time in the international exchange rate regime. Rather he comments on the Mexican government elected in 1970.

But lest one assume that the problems that followed the outbreak of price volatility were due to weak institutions of the developing countries, it needs to be pointed out that very similar stories unfolded in some developed countries.

For example, in the United States, the Texas oil patch also benefited from the leap in oil rents in 1973. The resulting real estate boom turned into a bust when the rise in the US dollar during the Volcker Fed's disinflation drive caused oil prices to tank in the early 1980s. It is not at all accidental that the US Savings and Loan crisis found its epicentre in Texas. And, notably, the emphasis on moral hazard in the financial literature was greatly increased by the research into the S&L crisis.

A variant of this story emerged in Canada. Partly due to sounder financial sector regulation,[14] Canada avoided an S&L-type crisis, even though the ingredients were present (an oil

[13] See William Easterly, "The Elusive Quest for Growth", *op. cit.*, pg 223.

[14] Canada deregulated both lending and deposit interest rates with the 1967 Bank Act reform; the US maintained interest rate controls in the form of Regulation Q ceilings until 1980, by which time the inflation of the 1970s had undermined the balance sheets of the S&Ls. As well, Canada's banking system was regionally diversified while the US still maintained restrictions on inter-state banking. As a result, Canada witnessed only three small bank failures in the 1980s (Northland Bank, Canadian Commercial Bank and Bank of British Columbia, all regional banks exposed to the oil patch), in sharp contrast to the much greater fall-out in the US S&L crisis.