

EC 373

Economies of Latin America

Fall 2000

Class Hour: Tu, Th 12:00
Class Room: Carney 106

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Tu 3:00-5:00, W 8:30-10

Short Description of the Course:

The course offers an opportunity to analyze from a Latin American perspective several of the issues which arise from the interaction of national economies with the global economy and from the interaction of states with markets. By grappling with specific challenges facing contemporary policymakers in Latin America, students will hone the tools of technical economic analysis which they learned in earlier coursework.

Prerequisites:

All 300-level courses in the Economics Department require at least one of the intermediate theory courses. EC 373 will draw on the skills developed in intermediate micro theory. Intermediate macro theory need not have been taken before taking this course, although taking it concurrently may be helpful. Some background in econometrics will also be helpful, as will the ability to read Spanish or Portuguese, but neither is required.

Thematic Outline:

Introduction

The Challenge

Patterns of Poverty, Inequality, and Growth

Income and Assets: Education, Microfinance, and Microenterprise

Global Economy, State and Market: Themes in L.A. Economic History

Export-led Growth and Decline

Import-Substituting Industrialization

Debt and the Crisis of the 1980s

The Neoliberal Reforms

Current Perspectives on Insertion into the Global Economy

Current Perspectives on the State and the Market

Readings:

We will use a wide variety of readings. Some are technically demanding studies taken from leading economics journals:

- *American Economic Review*
- *Economic Development and Cultural Change*
- *Journal of Economic Perspectives*
- *World Development*

Others are policy-oriented analyses of current trends, such as those prepared by the Inter-American Development Bank and the Economic Commission for Latin America and the Caribbean. Others are “textbook” readings used for introductory purposes or to give historical perspective.

Students are required to purchase a coursepack which is available in the BC Bookstore. The Bookstore also has three books which are recommended for purchase:

- Eliana Cardoso and Ann Helwege, *Latin America's Economy: Diversity, Trends, and Conflicts*, Cambridge, MA: MIT Press, 1992.
- Rosemary Thorp, *Progress, Poverty and Exclusion: An Economic History of Latin America in the 20th Century*, Baltimore: Johns Hopkins University Press, 1998.
- Inter-American Development Bank: *Development Beyond Economics: Economic and Social Progress Report 2000*, Washington: IADB, 2000.

Other readings can be downloaded from the web, as noted below.

Course Requirements:

Students' grasp of the material will be evaluated through ongoing class participation, through midterm exams on **October 5** and **November 2** (*Día de los muertos* simply by coincidence), and through a final exam to be given on **December 14**. The final exam will be given *only* at the time set by the Dean's Office; students should keep this date in mind when making travel plans.

This course is designated “writing-intensive.” Roughly one-third of the final course grade (see below) will be assessed on the basis of a semester-long study of a specific problem confronting policymakers in a single Latin American country. We will form working groups of students who study different problems of a single country (e.g., a Mexico group) or similar problems in different countries (e.g., a group on short-term capital flows). Members of these groups will be encouraged to work together in defining problems and refining proposals. Ultimately, however, each student will be responsible for an individual policy position paper. A draft of this position paper will be due on **November 9**. Members of the class will review one another's papers, then each student will be given a chance to revise his or her proposal. The revised paper will be due on **December 5**.

Grading:

First midterm exam, 5 October, 20%
Second midterm exam, 2 November, 20%
Final exam, 14 December, 25%
Revised position paper, 5 December, 30%
Ongoing participation, 5%

Reading List:

The framework for interpreting these papers will be developed in class; it is not easily available in any single textbook. This makes attendance at all class sessions unusually important; if it is necessary to miss a class, please email me. Adjustments to the reading list may be made as new articles become available.

I. Introduction

Inter-American Development Bank. "Latin America at the Turn of a New Century," Chapter 1 in *Development Beyond Economics: Economic and Social Progress in Latin America Report 2000* (Washington: IADB, 2000), pp. 1-36.

Students who read Spanish may want to consult Comisión Económica para América Latina y el Caribe (CEPAL), "Síntesis" of *Estudio económico de América Latina y el Caribe, 1999-2000*, available on-line at: <<http://eclac.org/espanol/Publicaciones/estudio00/indice.htm>>

II. The Challenge

Poverty, Inequality, and Growth

ECLAC Notes, September 2000, distributed in class.

Nancy Birdsall, David Ross, and Richard Sabot, "Inequality and Growth Reconsidered: Lessons from East Asia," *World Bank Economic Review*, September, 1995, pp.477-508. Found in the coursepack.

Income and Assets: Education, Microfinance and Microenterprise

Inter-American Development Bank, "Labor Income Inequality and Education," Chapter 2 in *Facing Up to Inequality: Economic and Social Progress in Latin America Report 1998-1999* (Washington: IADB, 1998), pp.37-56. Found in the coursepack.

David Bornstein, "The Barefoot Bank with Cheek," *Atlantic Monthly*, December 1995, pp. 40-47.
Found in the coursepack.

Jonathan Morduch, "The Microfinance Schism," *World Development*, April 2000, pp.617-629.
Found in the coursepack.

Douglas Marcouiller, Verónica Ruíz de Castilla, and Christopher Woodruff, "Formal Measures of the Informal-Sector Wage Gap in Mexico, El Salvador, and Brazil," *Economic Development and Cultural Change* Jan. 1997, pp. 367-392. Found in the coursepack.

III. Nation and World, State and Market: Themes in 20th Century Latin American Economic History

Export-led Growth and Decline: 1900-Mid-century

Cardoso and Helwege, Chapter 2, "Historical Roots."

Thorp, Chapters 3 and 4, "The Early 20th Century: Capital, Export, and Institutions" and
"Dislocation and Experiment: 1914-1945."

Import-Substituting Industrialization

Thorp, Chapters 5 and 6, "Industrialization and the Growing Role of the State: 1945-73" and
"Growth and Emerging Disequilibria: 1945-73."

Cardoso and Helwege, Chapter 4, "From Import Substitution to Trade Liberalization."

Debt and the Crisis of the 1980s

Thorp, Chapter 7, "Debt-led Growth, Disaster and Redirection after 1973."

Cardoso and Helwege, Chapter 5, "Debt."

The Neoliberal Reforms

Thorp, Chapter 8, "Performance and Policymaking under the New Paradigm."

Joseph Ramos, "Neo-liberal Structural Reforms in Latin America: The Current Situation," *CEPAL Review*, August 1997, pp.15-39. Found in the coursepack.

IV. Current Perspectives on Insertion into the Global Economy

- Paul Krugman, "Protection in Developing Countries," in Rudiger Dornbusch, editor, *Policymaking in the Open Economy*, New York: Oxford University Press, 1993, pp. 127-48. Found in the coursepack.
- Robert Feenstra, "Integration of Trade and Disintegration of Production in the Global Economy," *Journal of Economic Perspectives*, Fall 1998, pp.31-50. Found in the coursepack.
- Brian Aitken and Ann Harrison, "Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela," *American Economic Review*, June 1999, pp. 605-618. Found in the coursepack.
- Maurice Obstfeld, "The Global Capital Market: Benefactor or Menace?" *Journal of Economic Perspectives*, Fall, 1998, pp.9-30. Found in the coursepack.
- Joseph E. Stiglitz, "Capital Market Liberalization, Economic Growth, and Instability" *World Development*, June 2000, pp.1075-1086. Found in the coursepack.
- Takayuki Tsuda, "The Motivation to Migrate: The Ethnic and Sociocultural Constitution of the Japanese-Brazilian Return-Migration System," *Economic Development and Cultural Change*, October 1999, pp. 1-32. Found in the coursepack.
- Dani Rodrik, "How Far Will International Economic Integration Go?" *Journal of Economic Perspectives*, Winter 2000, pp.177-186. Found in the coursepack.

V. Current Perspectives on the State and the Market

- Inter-American Development Bank. "Political Institutions, Accountability and Government Performance," Chapter 4 in *Development Beyond Economics: Economic and Social Progress in Latin America 2000 Report* (Washington: IADB, 2000), pp. 163-199.
- Klaus Deininger and Bart Minten, "Poverty, Policies, and Deforestation: The Case of Mexico," *Economic Development and Cultural Change*, January 1999, pp.313-344. Found in the coursepack.
- Theresa Ghilarducci and Patricia Ledesma Liébana, "Unions' Role in Argentine and Chilean Pension Reform," *World Development*, April 2000, pp.753-762. Found in the coursepack.
- William Gruben and Robert McComb, "Liberalization, Privatization, and Crash: Mexico's Banking System in the 1990s," *Economic Review of the Federal Reserve Bank of Dallas*, First Quarter 1997, pp. 21-30. Found in the coursepack.
- Nauro Campos and Jeffrey Nugent, "Development Performance and the Institutions of Governance: Evidence from East Asia and Latin America," *World Development*, March 1999, pp.439-452. Found in the coursepack.