

Class Hour: Tu, Th 12:00
Douglas Marcouiller, S.J.
Office: Carney 139, 552-3685
Office Hours: Tu 3:00-5:30, W 9:00-10:30
douglas.marcouiller@bc.edu

Classroom: Carney 003
TA: Federico Mandelman
TA Office: Carney 023
TA Hours: M 3:00-4:30
federico.mandelman@bc.edu

Short Description of the Course:

The course analyzes from a Latin American perspective the interaction of national economies with the global economy and the interaction of states with markets. By grappling with specific challenges facing contemporary policymakers in Latin America and the Caribbean, economics majors will hone the analytical tools which they learned in earlier coursework.

Thematic Outline:

An Introduction to Latin American Economic History

- Export-led growth and decline
- Import-substituting industrialization
- Debt and the crisis of the 1980s
- Neoliberal reforms
- Future of integration

Poverty, Inequality, and Growth

- Clarifying concepts
- Inequality and growth
- Productivity and poverty
- Macroeconomic crises and persistent poverty

The National Economy and the Global Economy

- Comparative advantage
- Protection and liberalization
- Regional trade agreements
- Outsourcing
- Foreign direct investment and productivity spillovers
- Capital market integration
- Dollarization

The State and the Market

- Banking
- Utilities
- Pollution
- Governance

Looking Back and Looking Forward

Prerequisites:

EC 373 will draw on skills developed in intermediate micro theory, EC 201, which is a prerequisite for this course. Intermediate macro theory is not a prerequisite, but taking it concurrently is helpful. Background in econometrics is also helpful, as is ability to read Spanish or Portuguese, but neither is required.

Readings:

The syllabus draws heavily on technically demanding studies taken from leading economics journals. "Textbook" readings are used for introductory purposes or to give historical perspective. A coursepack is available for purchase in the Boston College Bookstore, as is the introductory text by Eliana Cardoso and Ann Helwege, *Latin America's Economy: Diversity, Trends, and Conflicts* (Cambridge, MA: MIT Press, 1992).

Course Requirements:

Students' grasp of the material will be evaluated through ongoing class participation, through midterm exams on October 18 and November 15, and through a final exam on the morning of December 18. 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." One-quarter of the final course grade will be assessed on the basis of a group research project. The class will divide into groups of three. Each group will study the economic situation of a particular country in Latin America or the Caribbean, choose a pressing economic problem to address, and develop a set of policies to solve that problem. Each group will have fifteen minutes on October 11 or October 16 to present its preliminary proposals to the class. A written presentation of the revised proposal, not to exceed fifteen pages in length, will be due on Monday, December 10. Detailed instructions about this project will be given during the term.

The articles on the reading list are not surveys. The framework within which these specific readings make sense will be developed in class. This makes attendance at all class sessions unusually important; if it is necessary to miss a class, please e-mail me.

Grading:

First exam, 18 October, 20%
Second exam, 15 November, 20%
Final exam, 18 December, 30%
Group presentation, 11 or 16 October, 10%
Group final report, 10 December, 15%
On-going class participation, 5%

Reading List:

Adjustments may be made as new articles become available.

1. An Introduction to Latin American Economic History

9/4. Export-led growth and decline

- Cardoso and Helwege, Chapter 2, "Historical Roots," pp. 23-53.

9/6. Import-substituting industrialization

- Cardoso and Helwege, Chapter 4, pp. 73-107.

9/11. Debt and the crisis of the 1980s

- Cardoso and Helwege, Chapter 5, "Debt," pp. 109-137.
- Sebastian Edwards, Chapter 2, "Muddling Through: Adjustment from 1982 to 1987," in *Crisis and Reform in Latin America*, New York: Oxford University Press, 1995, pp. 17-40.

9/13. Neoliberal reforms

- Nora Lustig, "Life is Not Easy: Mexico's Quest for Stability and Growth," *Journal of Economic Perspectives* 15:1, Winter 2001, pp. 85-106.

9/18. The future of integration

- Dani Rodrik, "How Far Will International Economic Integration Go?" *The Journal of Economic Perspectives* 14:1, Winter 2000, pp. 177-186.

2. Poverty, Inequality, and Growth

9/20, 9/25. Clarifying concepts

- World Bank, *World Development Report 2000/2001: Attacking Poverty*, New York: Oxford University Press, 2001, Chapter 1, "The Nature and Evolution of Poverty," Chapter 2, "Causes of Poverty and a Framework for Action," and Chapter 3, "Growth, Inequality and Poverty," pp. 15-59.
- Gerald Meier and James Rauch, "How to Read a Regression Table," *Leading Issues in Economic Development* Seventh Edition, New York: Oxford University Press, 2000, pp. 561-566.

9/27. Inequality and growth

- Nancy Birdsall, David Ross, and Richard Sabot, "Inequality and Growth Reconsidered," *World Bank Economic Review* 9:3 September 1995, pp.477-508.

10/2, 10/4. Productivity and poverty

- David Bornstein, "The Barefoot Bank with Cheek," *Atlantic Monthly*, December 1995, pp. 40-4
- Jonathan Morduch, "Microfinance Mechanisms," Section 3 in "The Microfinance Promise," *The Journal of Economic Literature* 37:4, December 1999, pp. 1579-1587 only.
- Douglas Marcouiller, Verónica Ruíz de Castilla, and Christopher Woodruff, "Formal Measures of the Informal-Sector Wage Gap in Mexico, El Salvador, and Peru," *Economic Development and Cultural Change* Jan. 1997, pp. 367-392.

10/9. Macroeconomic crises and persistent poverty

- Nora Lustig, "Crises and the Poor: Socially Responsible Macroeconomics," *Economía*, 1:1, Fall 2000, pp.1-30.

10/11, 10/16. **Group presentations**

10/18. **First exam**

3. The National Economy and the Global Economy

10/23-10/25. Comparative advantage

- Debraj Ray, *Development Economics*, Princeton: Princeton University Press, 1998, "Comparative Advantage" and "Sources of Comparative Advantage," pp. 627-636 only.

10/30. Protection and liberalization

- Paul Krugman, "Protection in Developing Countries," in Rudiger Dornbusch, editor, *Policymaking in the Open Economy*, New York: Oxford University Press, 1993, pp. 127-48.

11/1. Regional trade agreements

- Anne Krueger, "Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?" *The Journal of Economic Perspectives* 13:4. Fall 1999, pp. 105-124.

11/6. Outsourcing

- Robert Feenstra, "The Integration of Trade and Disintegration of Production in the Global Economy," *The Journal of Economic Perspectives* 12:4, Fall 1998, pp. 31-50.

11/8. Foreign Direct Investment and Productivity Spillovers

- Brian Aitken and Ann Harrison, “Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela,” *American Economic Review* 89:3 June 1999, pp. 605-618.

11/13. Capital Market Integration, Dollarization

- Joseph E. Stiglitz, “Capital Market Liberalization, Economic Growth, and Instability” *World Development*, June 2000, pp.1075-1086.
- Sebastian Edwards, “How Effective Are Capital Controls?” *The Journal of Economic Perspectives* 13:4, Fall 1999, pp. 65-84.
- Alberto Alesina and Robert Barro, “Dollarization,” *American Economic Review* 91:2, May 2001, pp. 381-385.

11/15. **Second Exam.**

4. The State and the Market

11/20. Banking

- Philip L. Brock and Liliana Rojas Suarez , “Understanding the behavior of bank spreads in Latin America,” *Journal of Development Economics* 63:1, October 2000, pp. 113-134.

11/27. Utilities

- Antonio Estache, Andres Gomez-Lobo, and Danny Leipziger, “Utilities Privatization and the Poor: Lessons and Evidence from Latin America,” *World Development* 29:7, July 2001, pp. 1179-1198.

11/29. Pollution

- Allen Blackman, “Informal Sector Pollution Control: What Policy Options Do We Have?” *World Development* 28:12, December 2000, pp. 2067-2082.

12/4. Governance

- Inter-American Development Bank, “Political Institutions, Accountability and Government Performance,” Chapter 4 in *Development Beyond Economics* Baltimore: Johns Hopkins, 2000, pp. 163-199.

5. Looking Back and Looking Forward

12/6. Final Perspectives

- Ravi Kanbur, “Economic Policy, Distribution and Poverty: The Nature of Disagreements,” *World Development* 29:6 June 2001, pp. 1083-1094.

12/10. **Papers** due in Carney 139 by noon. Note that this is a Monday.

12/18. **Final exam** at 9:00 a.m.