The George Washington University
Department of Economics

Economic Development of Latin America
Econ 285, Fall 2007

Classroom: Monroe Hall 451
2115 G St. NW

Thursday, 7:10-9:00PM

Professors: Claudio Loser and Ruben Suarez
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Syllabus

Course Objective

The objective of the course is to analyze economic developments of Latin American economies since independence. The main focus will be on developments in the last years, starting with the oil boom of the 1970s, the debt crisis of the 1980s, the reform process of the 1990s, the recent financial crises, and the effect of the new political movements to the left and/or to populism. It develops two parallel tracks; The first one emphasizes the determinants of economic growth over the medium term, and explores the theories of economic growth, its relevance for Latin America and specific aspects related to human capital, poverty and income distribution.

The second track analyzes the economic history of the region, as well, as issues of trade, openness and regional integration, economic management, instability and adjustment, external debt, competitiveness, structural reform agendas and relations with international organization, and more generally with the rest of the world.

Grading

First paper (55%): A paper on an economic issue, or country analysis, or an episode in Latin American Economic History, to be delivered by end of semester (For Prof. Loser).
Each student will make a short presentation (10 minutes) of the proposed paper during class in the second half of October.
Second paper (35%): A paper on Issues on Economic Growth and Development, to be delivered by November 29th (For Prof. Suarez)
Class participation (10%)

Reading Material
Reading assignments for each session will be delivered by mid-September, on the basis of the accompanying reading list. Required readings are as follows:

- The Economic History of Latin America since Independence, by Victor Bulmer-Thomas, Cambridge University Press. 2003 (for economic developments)
- Health and Economic Growth, Findings and Policy Implications, Edited by Guillem Lopez-Casanovas, Berta Rivera y Luis Currais; The MIT Press, 2005

**Course Program**

*September 6 (C. Loser)*
Introduction: An overview of the economic development process of Latin America
- Review of Basic Macroeconomic Principles
- Economic Issues in Latin America in the early 21st Century

*September 13 (R. Suarez)*
- Economic Growth and Economic Development in Latin America and the Caribbean: An Overview of Theories and Evidence
- Macroeconomics and Stabilization, Economic Cycles, Economic Growth and Economic Development: Convergence and Non-convergence

*September 20 (C. Loser)*
Economic Developments in the context of Latin American History (I)
- From the Colonial Period and Independence, to Globalization (XIXth century) and Free Trade.
- Latin America after the Great Depression and the post war period: Protectionism and new Social Policies.
- Latin America, the oil boom/crisis and the Debt Crisis.
September 27 (R. Suarez)
• Basic Models of Economic Growth: Neo-classical Models and the Determinants of Economic Growth: Predictions and Empirical Evidence
• On Economic Growth Theories and Development Theories: Underlying principles
• The Empirics of Economic Growth Theory: On the Determinants/Mechanisms of Economic Growth: Theories and Empirical Evidence
  • Growth Accounting

October 4 (R. Suarez)
• Basic Models of Economic Growth: Neo-classical Models and the Determinants of Economic Growth: Predictions and Empirical Evidence
• On Economic Growth Theories and Development Theories: Underlying principles
• The Empirics of Economic Growth Theory: On the Determinants/Mechanisms of Economic Growth: Theories and Empirical Evidence
  • Growth Accounting

October 11 (R. Suarez)
  • Technological Innovation/Adaptation and Economic Growth
  • Globalization, Economic Growth and Development
  • Economic Growth and Inequality in Latin America and the Caribbean
Investment in Human Capital, Growth and Income Distribution in Latin America and the Caribbean

October 18 (C. Loser)
• Economic Developments in the context of Latin American History (II)
• The consequences of the Debt Crisis: Stagnation and Reform in the 1980s
• The process of Reform, the Washington Consensus, and the Integration into global goods and capital markets.
  • The crises of the 1990s
    o Mexico and its aftermath
    o The Asian crisis, contagion and the impact on Brazil
    o The Argentine crisis of 2001-02.
    o From Neo-liberalism to Neo-populism- Latin America today.

October 25 (C. Loser)
• Latin America in the World Economy: insertion and isolation
• The protectionist views of the 1960-70s
• The opening of Latin America to trade
  o The change in paradigm
  o Latin America in an open setting: volatility and growth
  o Changed patterns of trade, USA, interregional trade, EU and Asia
• Regional Integration efforts
o History
o Current regional efforts: Mercosur, Andean Group, NAFTA, CACM, CARICOM
o FTAA, history and prospects; Multilateral discussions

November 1 (C. Loser)
Macroeconomic Instability, Economic Adjustment (1980-05)
  o Basic Principles of Macroeconomic modeling
    ± Financial Programming: a simplified view
    ± The links between the real economy, the balance of payments, fiscal and monetary sectors, and external debt.
    ± The Links with Structural Adjustment
    ± External Debt Management in practice
  o The Latin American Experience with Adjustment
    ± Overview of the region
    ± Specific cases: Chile, Mexico, Brazil, Argentina

November 8 (C. Loser)
  ± Macroeconomic Instability, Economic Adjustment (1980-05)
  ± Basic Principles of Macroeconomic modeling
    ± Financial Programming: a simplified view
    ± The links between the real economy, the balance of payments, fiscal and monetary sectors, and external debt.
    ± The Links with Structural Adjustment
    ± External Debt Management in practice
  ± The Latin American Experience with Adjustment
    ± Overview of the region
    ± Specific cases: Chile, Mexico, Brazil, Argentina

November 15 (C. Loser)
  ± Income and Income distribution in Latin America
    ± Income Distribution, status and causes
    ± Poverty, and Social Conditions in the Region
    ± Employment and labor markets
  ± Migration, remittances and their implications
  ± Structural Reform (could extend into following class)
    ± Fiscal and Monetary Issues
    ± Trade and Financial Flows
    ± Privatization and Foreign Investment
  ± Other Structural Issues

November 22 (No class, Thanksgiving)
Latin America and the International Financial System
- Relations with the IMF, and the World Bank
- The Regional Agencies (IADB, and CAF)
- Economic Relations with major industrial countries
- Financial Markets and Latin America today
- The tilt to the left and the relations with International Financial Institutions

Economic Growth and Poverty: Human Capital-based poverty traps
- Human Capital as pillars for economic growth: health and education
- Health and the rate of returns to education: longevity, accumulation of human capital and intergenerational transfers.
Text Books and Readings (To be assigned by Sessions)

Website: http://mitpress.mit.edu/catalog/item/default.asp?ttype=2&tid=10711
Income Distribution and High-Quality Growth; Vito Tanzi and Ke-Young Chu (Eds.) December 1997
Distribution and Development: A New Look at the Developing World; An examination of the extent to which economic growth improves the material standard of living of a country's people.; Gary S. Fields; August 2002
Endogenous Growth Theory; Philippe Aghion and Peter Howitt; December 1997
http://www.gdnet.org/cf/search/display.cfm?search=GDNDODCS&act=DOC&docnum=DOC1222
Has Latin America's post - reform growth been disappointing? by Easterly, William; Loayza, Norman; Montiel, Peter Produced by: Policy Research Working Papers, World Bank, 1997
http://www.gdnet.org/cf/search/display.cfm?search=GDNDODCS&act=DOC&docnum=DOC3789
Going beyond productivity and investment: exploring growth in Latin America; by Lee, J.W. Produced by: Latin American and Caribbean Economic Association (LACEA), 1999
http://www.gdnet.org/cf/search/display.cfm?search=GDNDODCS&act=DOC&docnum=DOC8313
http://www.paho.org/English/DPM/SHD/HP/heg_seniorwrk_docpres.htm
The impact of economic globalization on social, cultural, political and environmental equity in Latin America; by Gabriel Kessler, National University of General Sarmiento, Argentina, 2003
http://www.gdnet.org/cf/search/display.cfm?search=GDNSITE&act=library&docnum=DOC1250

Crisis and Reform in Latin America: From Despair to Hope; Sebastian Edwards, Oxford University Press, 1995

Reflexiones sobre como retomar el Crecimiento, Corporacion Andina de Fomento,. (To be translated to English, September 2004).


Washington Contentious; Nancy Birdsall and Augusto de la Torre, Center for Global Development and Inter-American Dialogue.


Hopeless Foes or Uneasy Allies? National views about the relations between Latin America and the IMF, Claudio Loser and Cecilia Carro. Inter-American Dialogue, manuscript, 2005 (to be provided)


The Macro-Economic Impact of Remittances in Latin America-Dutch Disease or Latin Cure? Claudio Loser, Caitlin Lockwood, with Adam Minson of the Inter-American Dialogue (draft, forthcoming, September 2006)


Chapter 3: Collision at Cajamarca; 67-81.


"Nutrition, Physiological Capital, and Economic Growth" ; By Robert Fogel,
For other documents and presentations on Economic Growth:
http://www.paho.org/English/DPM/SHD/HP/heg_seniorwrk_docpres.htm

Determinants of Economic Growth: A Cross-country Empirical Study; Robert J. Barro; MIT
between Economic and Political Development p. 49-87

"Investment in health, Social and economic returns", Pan American Health Organization
( PAHO); Scientific and Technical Publication No. 582*. Washington DC, 2001. This publication
can be obtained at: http://publications.paho.org/english/moreinfo.cfm?Product_ID=622
Go to:
Health, Growth and Income Distribution in Latin America and the Caribbean: A Study of
Determinants and Regional Local Behavior
pp. 3-32(30)
Authors: Mayer, David; Mora, Humberto; Cermeño, Rodolfo; Barona, Ana Beatriz; Duryeau,
Suzanne

PAHO Country-Case Studies on Health, Human Capital and Economic Growth:
http://www.paho.org/English/DPM/SHD/HP/hp-heg-casestudies.htm

* Health, Human Capital and Economic Growth in Brazil
Antonio C.C. Campino, Carlos A, Monteiro, Wolney Conde, and Flavia M. Sarti
Machado; University of Sao Paulo. May 2003.

* Health, Nutrition, Human Capital and Economic Growth: Evidence for Colombia 1995-
2000
Carmen E. Flórez, Rocio Ribero; CEDE, University of the Andes, Bogota, Colombia;
Beatriz Samper, CEIS, Fundación Santa Fé de Bogota. March 2003

* Impacto de la Nutrición sobre el Nivel de Vida y los Retornos Educativos: Análisis de las
Encuestas DHS
C. Larrea (FLACSO) y Ninfa León; Quito, Ecuador. Mayo 2003

* Market Failures in Health and Education Investments for Mexico's Young, 2000
David Mayer-Foulkes, Centro de Investigación y Docencia Económicas -CIDE, Mexico,
D.F., Mexico. June 2003

Brookings Institutions:
http://www.brookings.edu/global

On Global Development and the Economy:
http://www.brookings.edu/global/global_hp.htm