

THE GEORGE WASHINGTON UNIVERSITY

ECON 185. Economic Development of Latin America Spring 2007 Prof. Jorge Vega

Course Objective:

The objective of the course is to analyze the economic development process of Latin American countries since independence to the present, with an emphasis on the last 30 years. It first presents an overview of three main historical episodes: the export led model, the import substitution strategy, and the structural reforms introduced after the debt crisis. Then, it focuses on contemporary issues closely related to the region, such as poverty and inequality, foreign trade policies, and macroeconomic stability. The course ends with a discussion of some of the most important prescriptions being currently offered for securing the development process of Latin America in a global economy. Case country studies will be presented along the course in order to understand the practical difficulties that some Latin American countries face when trying to overcome economic underdevelopment.

Grading:

Mid term exam: 35%

Final exam: 35%

Paper: 30%

Reading Material:

The text is Patrice Franko, *The Puzzle of Latin American Economic Development*, Rowman and Littlefield Publishers, 2003; complemented by Victor Bulmer-Thomas, *The Economic History of Latin America Since Independence*, Cambridge University Press, 2003. There will be additional reading assignments from other sources as indicated below in each chapter.

Course Outline and Reading List:

Part I: A general overview.

1. Introduction: Basic definitions on economic growth and economic development.

- The nature of economic development.
- The objectives of development.

- Basu, K. (2001). "On the Goals of Development". In Meier, G. and Stiglitz, J., eds., *Frontiers of Development Economics*. Oxford University Press.
- Meier, G. and Rauch, J. (2005). *Leading Issues in Economic Development*. Oxford University Press. Chapter 1.
- Gillis, M., Perkins, D., Roemer, M. and Snodgrass. (1997). *Economics of Development*. W.W. Norton & Co. Chapter 1.
- Todaro, M. and Smith, S. (2005). *Economic Development*. Addison Wesley. Chpt. 1.

2. The sources of growth and development: review of theories and strategies of economic development.

- Crafts, N. (2001). *Historical Perspectives on Development*. In Meier and Stiglitz. Op. cit.
- Lucas, R. (1988). "On the Mechanics of Economic Development". *Journal of Monetary Economics*. No. 22. North Holland.
- Sachs, J. (2001). "Tropical Underdevelopment". National Bureau of Economic Research. Working Paper 8119.
- Collier, P., Dollar, D. and Stern, N. (2002). "Fifty Years of Development". In Stern, N., ed., *A Strategy for Development*. World Bank.
- Todaro, M. and Smith, S. (2005). Op. cit. Chapters 3 and 4.

3. Measuring development: indicators of economic development.

- Meier, G. and Rauch, J. (2005). Op. cit. Chapter 1.
- Todaro, M. and Smith, S. (2005). Op. cit. Chapter 2.
- Williamson, J. (2003). "An Agenda for Restarting Growth and Reform". In Kuczynski, P. and Williamson, J., eds. *After the Washington Consensus*. Institute for International Economics.
- World Bank (2006). *World Development Report*. World Bank.

4. An overview of Latin American economic development process.

- Export led growth.
 - Inward looking development.
 - Structural reforms and macroeconomic stabilization.
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- Bulmer-Thomas, V. (2003). Op. cit. Chapters 1 and 12.
 - Cardoso, E. And Helwege, A. (1992). *Latin America's Economy: Diversity, Trends and Conflicts*. MIT Press. Chapters 1, 2, and 3.
 - Franko, P. (2003). Op. cit. Chapter 1.
 - Kuczynski, P. (2003). "Setting the Stage". In Kuczynski and Williamson, eds. Op. cit.
 - Palma, G. (2003). "Latin America During the Second Half of 20th Century". In Chang, H., ed. *Rethinking Development Economics*. Anthem Press.
 - Thorp, Rosemary (1998). *Progress, Poverty and Exclusion: An Economic History of Latin America in the 20th Century*. Inter-American Development Bank. Chapters 1, 9.

Part II: Leading issues in the economic development of Latin America

5. Foreign trade and economic development.

- Trade liberalization policies.
 - Regional economic integration.
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- Bulmar-Thomas, Victor (2003). Op. cit. Chapters 9 and 10.
 - Bouzas, Roberto and Keifman, Saúl (2003). "Making Trade Liberalization Work". In Kuczynski and Williamson, eds. Op. cit. Chapter 7.
 - Franko, Patrice (2003). Op. cit. Chapter 8.

- Inter-American Development Bank (2002). *Beyond Borders: The New Regionalism in Latin America*. Chapters 1, 2 and 3.
- Ocampo, Jose and Martin, Juan, eds. (2003). *Globalization and Development: A Latin American Perspective*. Economic Commission for Latin America and the Caribbean.
- The World Bank (2003). *Lessons From NAFTA for Latin America and the Caribbean Countries*.

6. Poverty and inequality in Latin America.

- Birdsall, Nancy and Székely, Miguel (2003). "Bootstraps, not Band-Aids: Poverty, Equity and Social Policy". In Kuczynski and Williamson, eds. Op. cit. Chapter 3.
- Franko, Patrice (2003). Op. cit. Chapter 11.
- The World Bank (2003). *Inequality in Latin America and the Caribbean: Breaking with History?*. Chapters 1, 2 and 3.
- The World Bank (2001). *World Development Report. Attacking Poverty*. Chapters 1, 2, 3, 4 and 5.

7. Fiscal constraints for development.

- Artana, Daniel, López, Ricardo and Navajas, Fernando (2003). "A Fiscal Policy Agenda". In Kuczynski and Williamson, eds. Op. cit. Chapter 4.
- The World Bank (2003). "Inequality in Latin America...". Op. cit. Chapter 4.

8. Macroeconomic adjustment and stabilization.

- The financial system.
- Monetary policy and exchange rate regimes.
- Bulmar-Thomas, Victor (2003). Op. cit. Chapter 11.
- Edwards, Sebastian (1995). *Crisis and Reform in Latin America: From Despair to Hope*. Oxford University Press. Chapter 7.
- Franko, Patrice (2003). Op. cit. Chapters 4, 5 and 7.
- Kuczynski, Pedro (2003). "The Financial System". In Kuczynski and Williamson, eds. Op. cit. Chapter 5.
- Rojas-Suarez, Liliana (2003). "Monetary Policy and Exchange Rates: Guiding Principles for a Sustainable Regime". In Kuczynski and Williamson, eds. Op. cit. Chapter 6.

9. Education and training.

- Franko, Patrice (2003). Op. cit. Chapter 13.
- The World Bank (2003). *Inequality in Latin America...* Op. cit. Chapters 6 and 9.
- The World Bank (2003). *Closing the Gap in Education and Technology*. Chapters 1, 2, 4 and 5.
- The World Bank (2000). *The Quality of Growth*. Oxford University Press. Chapter 3.
- Wolff, Laurence and De Moura, Claudio (2003). Education and Training: The Task Ahead". In Kuczynski and Williamson, eds. Op. cit. Chapter 8.

10. Institutions for economic development.

- De Soto, Hernando (2000). *The mystery of capital: why capitalism triumphs in the West and fails everywhere else*. Basic Books.
- Fieden, Jeffrey et. al. (2000). *Modern Political Economy and Latin America*. Westview Press. Chapters 4, 5, 26, 27 and 29.
- Franko, Patrice (2003). Op. cit. Chapters 6 and 9.
- Navia, Patricio and Velasco, Andrés (2003). "The Politics of Second Generation Reforms". In Kuczynski and Williamson, eds. Op. cit. Chapter 10.
- The World Bank (2003). *Inequality in Latin America....* Op. cit. Chapter 8.
- The World Bank (2002). *World Development Report. Building Institutions for Markets*

11. Decentralization and the role of the state.

- Franko, Patrice (2003). Op. cit. Chapter 6.
- Kuczynski, Pedro (2003). "Reforming the State". In Kuczynski and Williamson, eds. Op. cit. Chapter 2.
- The World Bank (1999). *Beyond The Center: Decentralizing the State*.