

Economic Development in Latin American

University of California, Riverside
Economics 185

Professor Steven M. Helfand
4102 Sproul Hall
Tel.: 827-1572

Office Hours:
TBA,
and by appointment

Course Description:

This course provides a survey of the most important economic issues in Latin America in the 20th century. Topics include historical legacies, the theory and practice of import substitution industrialization, the debt crisis, stabilization and structural adjustment since 1982, the persistence of poverty and inequality, free trade and regional integration, and land reform. The course places current problems in an historical perspective and uses applied economic analysis to understand the choices as well as the constraints that Latin American policy makers face.

Requirements and Grading:

- Attendance and participation in debates 15%
- Two 5 page papers (due Nov. 2 and Dec. 2) 25% each
- Final exam 35%

This course requires a considerable amount of reading and writing. Students are expected to read one textbook chapter and one article per week, and to come to class prepared to discuss the material. Students are encouraged to read the articles that they find most interesting.

Debates: There will be three debates held throughout the quarter. Students will be responsible for presenting in at least one debate. Prior to each debate, all students will submit a two-page summary and discussion of a paper related to the topic of the debate.

Papers: Students will be expected to write two five-page papers. One will be on a topic from the syllabus, and the other will be on a country of the student's choice. Guidelines will be distributed and discussed in class regarding these papers.

Plagiarism: We will discuss appropriate ways for referencing the material used to write the papers. Any student found committing plagiarism, not handing in original work of his/her own, or cheating, will be given an F in the course and will be subject to disciplinary action by the University.

Textbook:

Cardoso, Eliana, and Ann Helwege, *Latin America's Economy: Diversity, Trends, and Conflicts*, Cambridge: MIT Press, 1992.

Useful references:

- Costin, Harry, and Hector Vanolli (eds.), *Economic Reform in Latin America*, Orlando: The Dryden Press, 1998.
- Dietz, James L. (ed.), *Latin America's Economic Development*, 2nd ed., Boulder: Lynne Rienner Publishers, 1995.
- Edwards, Sebastian, *Crisis and Reform in Latin America: From Despair to Hope*, New York: Oxford University Press, 1995.
- Gillis, Michael, D. Perkins, M. Roemer, and D. Snodgrass, *Economics of Development*, 4th ed., New York: W. W. Norton, 1996.
- Meier, Gerald M., (ed.), *Leading Issues in Economic Development*, 6th ed., New York: Oxford University Press, 1995.
- Thorp, Rosemary, *Progress, Poverty and Exclusion: An Economic History of Latin America in the 20th Century*, Washington, D.C.: Inter-American Development Bank, 1998.

Most of the articles and books listed on the syllabus will be available on reserve in the Rivera library.

Schedule of Classes

Week 0: Introduction to Latin America

Week 1: Economic Development: Meaning and Measurement

Week 2: Theories of Development: Modernization, Development Economics, Dependency and Beyond

Week 3: The Historical Legacy and the Early 20th Century

Week 4: Import Substitution Industrialization

Week 5: The Debt Crisis

Week 6: Stabilization and Structural Adjustment

Week 7: The Persistence of Poverty and Inequality

Week 8: Rural Poverty, Rural Development, and Land Reform in the 20th Century

Week 9: Trade Liberalization, Regional Integration, and a Free Trade Area of the Americas

Week 10: Reflections on a Century of Economic Development

Course Outline and Reading List

0. Introduction to Latin America

- Cardoso & Helwege, "The Economic Landscape," Chapter 1.
Bulmer-Thomas, V., "Latin American Economic Development: An Overview," Chapter 1 in Costin and Vanolli.
Thorp, "Growth and Quality of Life over the Century," Chapter 2.

1. Economic Development: Meaning and Measurement

- Gillis, et al., "Development and Human Welfare," Chapter 4, pp. 70-90.
Meier, Gerald M., "What is Economic Development," in *Leading Issues in Economic Development*, 6th ed., New York: Oxford University Press, 1996, pp. 7-9.
"Measures of Development," by Stern; Ahluwalia and Chenery; World Bank; and Meier; in Meier, 6th ed., 1996, pp. 13-30.
United Nations, *Human Development Report 1990*. Read overview and chapter 1, pp. 1-16, and look through the Human Development Indicators, pp. 123-.

2. Theories of Development: Modernization, Development Economics, Dependency and Beyond

- Cardoso & Helwege, "Theories, Ideas, and Opinions," Chapter 3.
Edwards, "The Emergence of a New Latin American Consensus," Chapter 3.
James, D., "Economic Development Theory and Policy in Latin America: The Second World War to the Present," Chapter 2 in Costin and Vanolli, 1998.
Kay, Cristóbal, *Latin American Theories of Development and Underdevelopment*, Routledge, 1989. Read Chapter 1, "The Challenge from the Periphery," and Chapter 7, "The Latin American Contribution in Perspective."
Meier, Gerald M., (ed.), "Analytical Perspectives" and "Radical Perspectives," in Meier, 5th ed., 1989. pp. 82-110
Wilber, Charles K., and Kenneth P. Jameson, "Paradigms of Economic Development and Beyond," in *The Political Economy of Development and Underdevelopment*, edited by Charles K. Wilber, 3rd ed., New York: Random House, 1984.

3. The Historical Legacy and the Early 20th Century

- Cardoso & Helwege, "The Historical Legacy," Chapter 2.
Coatsworth, John H., "Economic and Institutional Trajectories in Nineteenth-Century Latin America," in Coatsworth, John H. and Alan M. Taylor (eds.), *Latin America and the World Economy Since 1800*, Cambridge: Harvard University Press/DRCLAS, 1998.
Deitz, James L., "A Brief Economic History," Chapter 1 in Deitz (ed.).
Thorp, "The Early 20th Century: Capital Exports and Institutions," and "Dislocation and Experiment: 1914-45," Chapters 3 and 4.

4. Import Substitution Industrialization

a) *The theory: inward vs. outward looking development*

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

Gillis, et al., "Import Substitution," Chapter 16, and "Outward-Looking Development," Chapter 17.

b) *The pre-1982 experience*

Alexander, Robert J., "Import Substitution in Latin America in Retrospect," Chapter 10 in Dietz, 1995.

Baer, W., "Import Substitution Industrialization in Latin America: Experiences and Interpretation," *Latin American Research Review*, Vol. 7, No. 2, Spring 1972.

Hirschman, Albert O., "The Political Economy of Import-Substituting Industrialization in Latin America," *Quarterly Journal of Economics*, Vol. LXXXII, No. 1, February 1968.

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

5. The Debt Crisis

Cardoso & Helwege, "Debt," Chapter 5.

Edwards, "Muddling Through: Adjustment from 1982 to 1987," Chapter 2, pp. 17-26, and "Macroeconomic Adjustment as a Priority," Chapter 4, pp. 69-83.

Fishlow, Albert, "Latin American Adjustment to the Oil Shocks of 1973 and 1979," in *Latin American Political Economy: Financial Crisis and Political Change*, edited by Hartlyn, Jonathan, and Samuel A. Morley, Boulder: Westview Press, 1986, pp.54-84.

Frieden, Jeffrey A., *Debt, Development and Democracy: Modern Political Economy and Latin America, 1965-1985*, Princeton: Princeton University Press, 1991. Read Chapters 2 and 3, pp. 42-91. There are also case studies on Brazil, Chile, Mexico, Venezuela, and Argentina.

Sachs, Jeffrey D., "Introduction," in *Developing Country Debt and Economic Performance*, Chicago: The University of Chicago Press, 1990. This also has country studies on Argentina, Bolivia, Brazil, and Mexico.

6. Stabilization and Structural Adjustment

Cardoso & Helwege, "Stabilization," Chapter 7.

Edwards, "Muddling Through: Adjustment from 1982 to 1987," Chapter 2, pp. 26-40, and "Macroeconomic Adjustment as a Priority," Chapter 4, pp. 83-106.

Cornia, Giovanni Andrea, Richard Jolly, and Frances Stewart, *Adjustment with a Human Face: Vol. 1 Protecting the Vulnerable and Promoting Growth*, New York: Oxford University Press, 1987. Chapters 7, pp. 147-164.

Pastor, Manuel Jr., "The Effects of IMF Programs in the Third World: Debate and Evidence from Latin America," *World Development*, Vol. 15, No. 2, 1987, pp. 249-262.

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

Williamson, John (ed.), *Latin American Adjustment: How much has happened?*, Washington, D.C.: Institute for International Economics, 1990. This book has country studies on Bolivia, Chile, Peru, Argentina, Brazil, Mexico, Colombia, Venezuela, the Caribbean, and Central America.

7. The Persistence of Poverty and Inequality

a) *The evidence*

Cardoso & Helwege, "Poverty," Chapter 9.

Edwards, "Poverty, Income Distribution, and Human Resources," Chapter 8.

Lustig, Nora (ed.), *Coping with Austerity: Poverty and Inequality in Latin America*, Washington, D.C.: The Brookings Institution, 1995. Has country studies for Argentina, Brazil, Chile, Mexico, Peru, and Venezuela.

Morley, Samuel A., *Poverty and Inequality in Latin America: The Impact of Adjustment and Recovery in the 1980s*, Baltimore: The Johns Hopkins University Press, 1995. Read Chapters 2 and 3, pp. 28-78. Country studies for Argentina, Venezuela, Colombia, and Costa Rica.

Psacharopoulos, George, et al., *Poverty and Income Distribution in Latin America: The Story of the 1980s*, World Bank Technical Paper No. 351, Washington D.C.: The World Bank, 1997.

b) *The crisis versus the policies?*

Berry, Albert, "The Income Distribution Threat in Latin America," *Latin American Research Review*, Vol. 32, No. 2, pp. 3-40, 1997.

Sheahan, John, "Effects of Liberalization Programs on Poverty and Inequality: Chile, Mexico, and Peru," *Latin American Research Review*, Vol. 32, No. 3, pp. 7-38, 1997.

c) *Anti-poverty strategies:*

Arellano-López, Sonia, and James F. Petras, "Non-Governmental Organizations and Poverty Alleviation in Bolivia," *Development and Change*, Vol. 25, 1994, pp. 555-568.

Grosh, Margaret E., "Five Criteria for Choosing among Poverty Programs," in Lustig, Nora (ed.), *Coping with Austerity: Poverty and Inequality in Latin America*, Washington, D.C.: The Brookings Institution, 1995.

Raczynski, Dagmar (ed.), *Strategies to Combat Poverty in Latin America*, Washington D.C.: Inter-American Development Bank, 1995. Has country studies on Argentina, Brazil, Costa Rica, and Chile.

8. Rural Poverty, Rural Development, and Land Reform in the 20th Century

Binswanger, Hans P., and Klaus Deininger, "World Bank Land Policy: Evolution and Current Challenges," pp. 197-208 in *Agriculture in Liberalizing Economies: Changing Roles for Governments*, Proceedings of the 14th Agricultural Sector Symposium, edited by Umali-Deininger, D., and Charles M., Washington D.C.: The World Bank, 1995.

de Janvry, Alain, *The Agrarian Question and Reformism in Latin America*, Baltimore: The Johns Hopkins University Press, 1981.

de Janvry, Alain, Elisabeth Sadoulet, and Wendy Wolford, "The Changing Role of the State in Latin American Land Reforms," paper prepared for the WIDER-FAO workshop on "Access to Land," Santiago, Chile, April 27-29, 1998.

Thiesenhusen, William C., "Introduction to Rural Poverty in Latin America" and "Lost Promise: Agrarian Reform and the Latin American *Campesino*," Chapters 1 and 8 in *Broken Promises: Agrarian Reform and the Latin American Campesino*, Boulder: Westview Press, 1995.

Valdés, Alberto, and Tom Wiens, "Rural Poverty in Latin America and the Caribbean," pp. 107-124 in *Annual World Bank Conference on Development in Latin America and the Caribbean 1996: Poverty and Inequality*, edited by Burki et al., Washington D.C.: The World Bank, 1998.

9. Trade Liberalization, Regional Integration, and a Free Trade Area of the Americas

- Bulmer-Thomas, Victor, and Sheila Page, "Trade Relations in the Americas: MERCOSUR, the Free Trade Area of the Americas and the European Union," in *The United States and Latin America: The New Agenda*, edited by Bulmer-Thomas, V. And Dunkerley, J., London: Institute of Latin American Studies, 1999.
- Economic Commission for Latin America and the Caribbean, *Open Regionalism in Latin America and the Caribbean*, Santiago, Chile: United Nations, 1994.
- Edwards, Sebastian, "The Opening of Latin America," Chapter 5 in *Crisis and Reform in Latin America: From Despair to Hope*, New York: Oxford University Press, 1995.
- Inter-American Development Bank, "Trade Liberalization," Chapter 2 in *Economic and Social Progress in Latin America, 1996 Report*, Washington, D.C.: Johns Hopkins University Press. 1996.
- Roett, Riordan (ed.), *Mercosur: Regional Integration, World Markets*, Boulder: Lynne Rienner Press, 1999.

10. Reflections on a Century of Economic Development

- Fishlow, Albert, "Latin America in the XXI Century" in *Economic and Social Development in the XXI Century*, edited by Louis Emmerij, Washington D.C.: Inter-American Development Bank, 1997.
- Franko, Patrice, "Lessons Learned: Cycles in Latin American Development," Chapter 15 in *The Puzzle of Latin American Development*, Lanham: Rowman and Littlefield Publishers, 1999.
- Sunkel, Osvaldo, "From Inward-Looking Development to Development From Within," in *Latin America's Economic Development: Confronting Crisis*, pp. 351-381.
- Thorp, "Reflections on a Century of Light and Shadows," Chapter 9.
- Jonas, Susanne, and Edward J. McCaughan, "Introduction: The Quest for Social Transformation in Latin America," in *Latin America Faces the Twenty-First Century: Reconstructing a Social Justice Agenda*, edited by Jonas, Susanne, and Edward J. McCaughan, Boulder: Westview Press, 1994.