1 Course Objectives

This course examines economic development in Latin American and Caribbean countries under the perspective of their integration into the global economy. The course covers trade in agricultural and manufactured goods and regional trade agreements, international capital flows to Latin America, financial vulnerabilities, and policy responses. The course also discusses underlying economic concepts to inform the analysis of trade regimes, international investments, and foreign debt management.

Students work together in randomly formed groups that foster the interaction between economists and non-economists. In these work groups, students write a 3-to-4-page paper on a development issue in Latin America and select one group representative for a brief in-class statement and subsequent open discussion.

2 Prerequisites

Econ 3, or Econ 1A and 1B.

3 Readings

Lecture notes become available online at econ.ucsd.edu/muendler/teach/07s/161 before each class.

Textbook: Franko (2007) or Franko (2003)/ch. 3, 4, 7, 8, 9, and 10
Readings: Easterly (2001)/ch. 6, Fernández-Armesto (2003)/ch. 7, Pugel (2004)/ch. 3 and 20

The readings are intended to help you review lecture material. Chapters 4, 7, 8, and 10 of the textbook’s second edition (Franko 2003) and the readings are available electronically from UCSD electronic reserves at http://reserves.ucsd.edu/. Electronic readings can also be accessed through the class web page. No copyright charges apply for electronic access from campus.

4 Group Paper and Presentations

To instill interaction between you and your classmates from diverse academic backgrounds, part of your course work is dedicated to a 3-to-4-page group paper in favor or against a select topic on Latin America’s international economic integration. You will work in a group of seven students on one of the following eight topics, and will have to argue either in favor or against the topic:

1. Thu, May 3: International trade in Latin America
   Reader: Chris Nekarda
   (a) The MERCOSUR trade agreement: Deepen or Expand
   (b) Fair trade: Promote or Neglect
   (c) NAFTA for Mexico: Success or Failure
   (d) CAFTA for Central America: Paramount or Negligible

2. Thu, May 31: International capital markets in Latin America
   Reader: Chris Nekarda
   (a) IMF and World Bank loans: Expand or Cut
   (b) Private foreign investment: Promote or Reduce
   (c) Privatization of public companies: Pursue or Stop
   (d) Taxes on short-term capital: Blessing or Curse

Your goal is to present a compelling case to your classmates. There will be 16 groups, and each group will select a representative. The first 8 group representatives will present their cases in favor or against the assigned topic during class on Thu, May 3 (International Trade in Latin America), and the next 8 group representatives will make their cases on Thu, May 31 (International Capital Markets in Latin America).

Group assignments are determined by random draw. You will be informed on Thu, April 19 whether you will work with a group to present on Thu, May 3 or to present on Thu, May 31. If it is your group’s draw to present on May 3, you will also be informed of your topic and whether your group argues in favor or against the issue. Students with presentations on May 31 will be informed on Thu, May 17 of their group members, their topic and whether they will argue in favor or against the issue.

Class-wide e-mails will be sent on Thu, April 19 and on Thu, May 17 to all enrolled students, showing groups and topic assignments. In addition, password-protected lists with groups and
topic assignments will be posted on the class web page on April 19 and May 17. It is your responsibility to inform your group mates if your working e-mail address is not the one listed.

The group paper should be three to four pages in length, and cover the topic using a social scientist’s tools: Sound and educated arguments based on the adequate literature, substantiated with suitable figures and quantitative tables. Brevity forces you to make concise and clear arguments. Please see a short summary of recommendations for economical writing on the class web page. You can discuss drafts of your 3-to-4-page papers with Chris Nekarda or Marc Muendler, after class and during office hours.

You are expected to contribute to the group work on your project in a fair manner. A failure to contribute fairly will result in a score of zero or substantially below the group score.

The final draft of your paper is due at 4:30pm on the Wednesday prior to your presentation in Chris Nekarda’s office, Econ 117 (papers for presentation on May 3 are due on Wed, May 2 at 4:30pm, papers for presentation on May 31 are due on Wed, May 30 at 4:30pm). If your group representative wishes to use electronic resources for his or her presentation, please submit (or e-mail) to Chris Nekarda according files before 5:00pm on the day prior to your presentation (May 2 or May 30). The group representative’s class-room statement should be concise and compelling, it should not exceed four minutes in length and be based on the group paper. There will be one presenter in favor and one against each topic. The group representatives’ statements are followed by a twelve-minute discussion in class.

5 Assessment

Your final raw score will be based on your points from

<table>
<thead>
<tr>
<th>Group paper</th>
<th>50 points</th>
<th>due 5/2 or 5/30</th>
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<tbody>
<tr>
<td>Midterm exam</td>
<td>80 points</td>
<td>5/15</td>
</tr>
<tr>
<td>Final exam</td>
<td>120 points</td>
<td>6/13</td>
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<tr>
<td>Total</td>
<td>250 points</td>
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The midterm and the final exam are cumulative. The midterm will be held in class, lasting 80 minutes, and will have eight (8) questions. Each question is ten minutes in length. The final exam will be held during finals week and contain twelve (12) questions, ten minutes in length each. You will receive review sheets on April 5, May 8 and May 29 (one at the beginning of each part of the course). These review sheets contain questions similar to questions on the exams. The review sheets help you prepare for the exams. We will offer review sessions on Mon, May 14 before the midterm exam and on Thu, June 7 before the final exam.

Your final letter grade will be inferred from the typical grade distribution (curve) in economics classes at UCSD since 2000. You can find this grade distribution at the class web page econ.ucsd.edu/muendler/teach/07s/161. So, the difficulty of the exams will not matter, whereas your relative performance in comparison to your classmates will determine your final letter grade (grades of F will not depend on the curve but on a minimal performance standard).
6 Class Schedule

1. Tue, April 3: The International Integration of Latin American Economies
   (Fernández-Armesto 2003/ch. 7)
   **I. Trade Integration of Latin American Economies**

2. Thu, April 5: Import Substitution Industrialization
   (Franko 2007/ch. 3)
   **REVIEW SHEET I OUT**

3. Tue, April 10: The Principle of Comparative Advantage
   (Pugel 2004/ch. 3)

4. Thu, April 12: Competition and Comparative Advantage
   (Franko 2007/ch. 9)

5. Tue, April 17: Trade and Factor Prices When Endowments Differ
   (Pugel 2004/ch. 3)

6. Thu, April 19: Trade in Primary and Agricultural Merchandise
   (Franko 2007/ch. 10)
   **GROUP ASSIGNMENTS. TOPIC ASSIGNMENTS for Presentations on May 3 (International Trade)**

7. Tue, April 24: Cases for Trade Intervention
   (Pugel 2004/ch. 3; Franko 2007/ch. 3, 9)

8. Thu, April 26: Comparative Advantage and Productivity Change
   (Franko 2007/ch. 9)

9. Tue, May 1: Free Trade in the Americas
   (Franko 2007/ch. 8)

   **Thu, May 3: PRESENTATIONS: INTERNATIONAL TRADE**

   **II. International Capital Flows to Latin America**

10. Tue, May 8: International Lending and Investment in Latin America
    (Franko 2007/ch. 4)
    **REVIEW SHEET II OUT**

    (Pugel 2004/ch. 20)

    **Mon, May 14: REVIEW SESSION FOR MIDTERM EXAM (Chris Nekarda)**

12. Tue, May 15: MIDTERM EXAM

13. Thu, May 17: Foreign Direct Investment in Latin America
    (Franko 2007/ch. 7)
    **TOPIC ASSIGNMENTS for Presentations on May 31 (International Capital Markets)**
   (Easterly 2001/ch. 6)

   (Pugel 2004/ch. 20)

III. Financial Crises and Policy Responses in Latin America

15. Tue, May 29: The Debt Crisis of the 1980s and Debt Restructuring
   (Franko 2007/ch. 4; Pugel 2004/ch. 20)
   REVIEW SHEET III OUT

Thu, May 31: PRESENTATIONS: INTERNATIONAL CAPITAL MARKETS

16. Tue, June 5: Debt Overhang, Debt Buybacks and Debt Forgiveness
   (Pugel 2004/ch. 20)

17. Thu, June 7: International Financial Crises
   (Franko 2007/ch. 7; Pugel 2004/ch. 20)

Thu, June 7: REVIEW SESSION FOR FINAL EXAM (Marc Muendler)

Wed, June 13 (Finals Week): 8:00a - 10:00a FINAL EXAM

References


