

**Syllabus.** Last revised: September 2, 2010.

## **ECON 320: Economic Policy in Latin America (Fall, 2010)**

**Professor:** Eduardo Engel, Professor of Economics, Yale University

**Description:** The course discusses the main economic policy challenges faced by countries in Latin America. The course begins by reviewing the inward-oriented development model pursued in Latin America until the early 1980s. The 1980's debt crisis and the policy consensus that emerged in its aftermath are considered next. The core of the course follows, covering the economic, social, and political impact of reforms implemented during the nineties. The following topics are covered:

1. **Introduction.** Recent performance and major challenges; Judging economic policies. What is a 'developed country'? Theories of economic growth. Case studies: Chile and El Salvador.
2. **The Age of Inward-looking Development (1945-1980).** Import Substitution Industrialization (ISI). Dependency Theory. The Economics of Populism.
3. **Natural resources: Curse or blessing?**
4. **Crisis and reform (1980s).** The debt crisis. The emergence of the 'Washington consensus'.
5. **Trade and industrial policies.** Trade liberalization. Export-led growth. A new industrial policy?
6. **Market friendly reforms.** Privatization and deregulation. Private pensions. Antitrust policy and consumer protection. Financial markets: deregulation and corporate governance.
7. **Macroeconomic policy.** External shocks and policy choices. Exchange rate regimes: 'bipolar view', 'impossible trinity' and 'fear of floating'. Case studies: Argentina's 2001 crisis. Financial crisis of 2009.
8. **Social policies.** Poverty and income distribution. Education and human capital formation. Case studies: Mexico's PROGRESA and Brazil's Bolsa Escola programs. Labor markets.
9. **Political economy.** Political economy of economic policy. Governance and institutional reforms.
10. **Taking stock.** Disappointment with reforms: possible explanations. What next?

### **Texts:**

E. Cardoso and A. Helwege. *Latin America's Economy: Diversity, Trends and Conflicts*. MIT, 1992.

J. Frieden, M. Pastor and M. Tomz (eds). *Modern Political Economy and Latin America: Theory and Policy*. Westview, 2000.

### **Requirements:**

*Who should take this course?*

Introductory microeconomics (115 or equivalent) and introductory macroeconomics (116 or equivalent) are required. No prior knowledge about Latin America is needed.

*Course Aims and Methods.*

Students obtain the elements to reach their own conclusions regarding the current economic policy debate in Latin America. A second aim is to illustrate how economics is applied in practice.

*Weekly assignments.*

Weekly assignments will alternate between short essays taking a stance on a policy debate and problem sets.

### **Grading:**

Weekly assignments: 30%

Midterm examination (Monday, October 18, in class): 30%

Final examination: 40%