

MASTER
“Economic Development and Growth”
Universidad Carlos III de Madrid

Course
The Economic Development of Latin America in the Long Run

Spring 2024
Professors: Esteban A. Nicolini and Emiliano Travieso
ECTS Credits: 3

Office hours (by appointment):
Nicolini: Wednesdays 11.30-12.30, @ 18.2.D.10
Travieso: Fridays 11:30-12:30, @ 18.2.D.15

This course introduces students to the key themes, periods, and problems of Latin American long-term development. The first seven sessions offer a chronological overview of the economic history of the region from colonial times to the present. The remaining sessions provide a balance of the structural issues of Latin American economic development: volatile growth trajectories, persistently high levels of inequality, and dependence on natural resources.

General introductory references:

Bértola, L., & Ocampo, J. A. (2012). *The Economic Development of Latin America Since Independence*. Oxford: Oxford University Press. [henceforth Bértola & Ocampo]

Bulmer-Thomas, V. (2014). *The Economic History of Latin America since Independence* (third ed.). Cambridge: Cambridge University Press.

Thorpe, R. (1998). *Progress, Poverty and Exclusion: An Economic History of Latin America in the 20th Century*. Washington, D.C.: Inter-American Development Bank.

SESSIONS AND TOPICS

Session 1. Introduction. [Nicolini & Travieso]

Presentation of the course.

Session 2. The long run: geography, institutions and economic growth. [Nicolini]

The geographic distribution of today’s income per capita in Latin America is quite different from the one prevailing in colonial times. The comparative analysis of the economic development of the different Latin American regions is closely linked to the debate about the ultimate reasons of sustained economic growth. In this context, which are the relative

merits of the explanations based on institutional quality, geographic characteristics, or inequality levels?

REFERENCES

Compulsory

Sokoloff and Engerman (2000). Institutions, Factor Endowments, and Paths of Development in the New World. *Journal of Economic Perspectives* 14, 217–232.

Optional

Acemoglu, Johnson and Robinson (2002). Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution. *The Quarterly Journal of Economics* 117, 1231-1294.

Easterly (2007). Inequality does cause underdevelopment: Insights from a new instrument, *Journal of Development Economics* 84, 755–776.

Maloney and Caicedo (2015). The persistence of (subnational) fortune. *The economic journal* 126, 2363-2401.

Session 3. Lost decades? Economic development after independence [Travieso]

Most Latin American countries secured independence from European powers by the 1820s. Their subsequent economic record is now conventionally seen as a harsh mirror for other regions liberated from colonial rule: conflict, violence, and instability leading to a disappointing growth performance. Were these decades truly lost time for economic development?

REFERENCES

Compulsory [you can choose two out of these three]

Bates, R. H., Coatsworth, J. H., & Williamson, J. G. (2007). Lost Decades: Postindependence Performance in Latin America and Africa. *The Journal of Economic History*, 67(04), 917-943.

Prados de la Escosura, L. (2009). Lost Decades? Economic Performance in Post-Independence Latin America. *Journal of Latin American Studies*, 41(02), 279-307.

North, D.C., Summerhill, W.R., and Weingast, B. (2000) 'Order, Disorder, and Economic Change: Latin America versus North America', in Bruce Bueno de Mesquita and Hilton L. Root (eds.), *Governing for Prosperity* (New Haven), pp. 17–58.

Optional

Bértola & Ocampo: Chapter 2.

Coatsworth, J. H. (1998). Economic and institutional trajectories in nineteenth-century Latin America. In J. H. Coatsworth & A. M. Taylor (Eds.), *Latin America and the World Economy Since 1800*. Cambridge, MA: Harvard University Press.

Session 4: Globalization and Export-led growth [Travieso]

Between 1870 and 1930 railways, steamships, telegraphs, and (relative) world peace brought about an era of global price convergence, mass migration, and market integration. Latin American economies experienced fast economic growth exploiting their comparative advantage in export agriculture and mining. How effective was export-led growth at promoting Latin America's long-term development? And why were some countries better able to exploit the first great globalization boom after 1870?

REFERENCES:

Compulsory

Bértola, L. and Williamson, J.G. (2003). Globalization in Latin America before 1940. In Bulmer-Thomas, V., Coatsworth, J. H., & Cortés Conde, R. (2006). *The Cambridge Economic History of Latin America*. Cambridge: Cambridge University Press, 11-56.

Optional

Blattman, C., Hwang, J., & Williamson, J. G. (2007). Winners and losers in the commodity lottery: The impact of terms of trade growth and volatility in the Periphery 1870–1939. *Journal of Development Economics*, 82(1), 156-179.

Williamson, J. G. (1999). Real wages, inequality and globalization in Latin America before 1940. *Revista de Historia Económica-Journal of Iberian and Latin American Economic History*, 17(S1), 101-142.

Bulmer-Thomas, V. (2014). *The Economic History of Latin America since Independence* (third ed.). Cambridge: Cambridge University Press, Chapter 3.

Bértola & Ocampo: Chapter 3.

Session 5. Inward-looking development and state-led industrialization [Nicolini]

The international economy changed dramatically with the First World War and, particularly, with the economic crisis of the 1930s. The Latin American countries responded to the new situation relying on a new role of the public sector and a new set of fiscal and monetary policies to develop the industrial sector and modify the income distribution. What was the impact of this change on the economic performance of the Latin American countries?

REFERENCES

Compulsory

Bértola & Ocampo: Chapter 4.

Taylor, A. (1998). On the Costs of Inward-Looking Development: Price Distortions, Growth, and Divergence in Latin America. *Journal of Economic History* 58, 1-28.

Optional

Díaz-Alejandro, Carlos F. (1981): Stories of the 1930s for the 1980s, Discussion Paper 376, Yale University, Economic Growth Center, New Haven, CT.

Gerchunoff and Machinea (2015): “Going through the labyrinth: the political economy of Argentina’s abandonment of the gold standard (1929-1933)”. *CEPAL Review* 117, 103-120.

Bruton (1989). “Import substitution”. In *Handbook of Development Economics*, Volume II, Edited by H. Chenery and T.N. Srinivasan, p. 1601-1644.

Session 6. Second globalization and the lost decade [Nicolini]

At the end of the 70s, the model of state-led industrialization was already suffering diminishing returns and a sudden change in the monetary policy in the US generated an acute reduction of the inflow of foreign capital and severe external debt problems in most of Latin American countries. The ensuing economic crisis implied several years of very low economic growth (lost decades) and the implementation of significant economic reforms.

Which were the causes and the consequences of the crisis of the 80s in Latin America?

REFERENCES

Compulsory

Bertola, Luis and Ocampo, Antonio (2012) Latin America’s debt crisis and “lost decade”. In: *Learning from Latin America: Debt crises, debt rescues and when and why they work*, 20 Feb 2012, London, UK. (Unpublished)

Optional

- Edwards, S. (1998). "Capital inflows in Latin America: a stop-go story?" NBER Working paper 6441.
- Edwards (1995). *Crisis and Reform in Latin America. From despair to hope*. World Bank, Oxford University Press.
- Santarcángelo, Juan et al. (2017) "Industrial Policy in Argentina, Brazil, Chile and Mexico: a Comparative Approach », *Revue Interventions économiques* [Online], 59.

Session 7. The new commodity booms [Travieso]

In the early 21st century, rising international demand for foodstuffs, energy, and raw materials fuelled a new commodity boom in Latin America (especially in South America). While the region benefitted from its natural resource specialization, it also faced some negative Dutch Disease effects. Moreover, procyclical policies during the boom led to important macroeconomic vulnerabilities, which became evident when commodity prices entered in a negative phase after the 2008-9 financial crisis. In several countries the commodity boom (and its end) was associated with large political and policy changes. Was this recent growth cycle enough to promote substantial economic development?

REFERENCES

Compulsory

- Ocampo, J. A. (2017). Commodity-led development in Latin America. In G. Carbonnier, H. Campodónico, S. Tezanos Vázquez (Eds.), *Alternative pathways to sustainable development: Lessons from Latin America* (pp. 51-76). Brill.
- Bértola, L. (2016). Has Latin America Changed Tracks?: Catching up: Now and Then. An essay. In M. Andersson & T. Axelsson (Eds.), *Diverse Development Paths and Structural Transformation in the Escape from Poverty* (pp. 159-179). Oxford University Press.

Optional

- Bacha, E. L., & Fishlow, A. (2011). The Recent Commodity Price Boom and Latin American Growth: More than New Bottles for an Old Wine? In J. A. Ocampo & J. Ros (Eds.), *The Oxford Handbook of Latin American Economics* (pp. 0): Oxford University Press.
- Blanco, L., & Grier, R. (2013). Explaining the rise of the left in Latin America. *Latin American Research Review* 48(1), 68-90.

Session 8. Balance: economic growth in the 20th century [Nicolini]

Nowadays, Latin American countries can be mostly characterized as middle-income economies. However, there are large disparities in income per capita between countries and there are stories of convergence, divergence, failures and success. What are the ultimate causes of the relative failure or success of Latin American countries?

REFERENCES:

Compulsory

- Hofman, A. (2001). "Long run economic development in Latin America in a comparative perspective: Proximate and ultimate causes". CEPAL WP.
- Prados de la Escosura (2005): "Growth, inequality, and poverty in Latin America: historical evidence and controlled conjectures. UC3M WP.

Optional

- Hopenhayn and Neumeyer (2004). "Latin America in the XXth Century: Stagnation, then Collapse". Mimeo, Econometric Society.

Session 9. Balance: natural resources and sustainability [Travieso]

Latin America is home to half of the world's tropical forests, one-third of all freshwater reserves, one-quarter of arable land, and a fifth of oil reserves. A comparative advantage in (and a dependence on) natural resource-intensive commodities has long been a structural feature of Latin American economies. Thus, the environment has changed substantially as a result of the region's economic development over the centuries—and continues to do so. In turn, the degradation of landscapes (agricultural soils, rangeland, forests), the exhaustion of non-renewable resources (minerals, fossil fuels), and biodiversity loss can become a constraint for Latin America's future development. Is economic development necessarily at odds with environmental conservation and mitigation efforts? How do inequality and poverty interact with environmental sustainability in Latin America?

REFERENCES

Compulsory

Aide, T. M., & Grau, H. R. (2004). Globalization, migration, and Latin American ecosystems. *Science*, 305(5692), 1915-1916.

Swinton, S. M., Escobar, G., & Reardon, T. (2003). Poverty and environment in Latin America: concepts, evidence and policy implications. *World Development*, 31(11), 1865-1872.

Infante-Amate, J., Urrego-Mesa, A., Pinero, P., & Tello, E. (2022). The open veins of Latin America: Long-term physical trade flows (1900–2016). *Global Environmental Change*, 76, 102579.

Optional

Arboleda, M. (2016). Spaces of extraction, metropolitan explosions: planetary urbanization and the commodity boom in Latin America. *International Journal of Urban and Regional Research*, 40(1), 96-112.

Session 10. Balance: poverty and inequality in the last decades [Nicolini & Travieso]

Economic inequality seems to be an essential characteristic of Latin America, both between and within countries. Which are its origins and ultimate causes? Changes in inequality in the last decades seem to be connected to specific policies and external shocks. Is there room for a policy-driven structural change in economic inequality in Latin America?

REFERENCES

Compulsory

Gasparini and Cruces (2013). "Poverty and Inequality in Latin America: a story of two decades". *Journal of International Affairs* 66, 51-63.

Williamson, J. G. (2015). Latin American inequality: colonial origins, commodity booms or a missed twentieth-century leveling? *Journal of Human Development and Capabilities*, 16(3), 324-341.

Optional

Prados de la Escosura (2005): "Growth, inequality, and poverty in Latin America: historical evidence and controlled conjectures". UC3M WP.

Bértola, L., & Williamson, J. (2017). Introduction. In *Has Latin American Inequality Changed Direction?: Looking Over the Long Run*. Springer Nature, 1-14.

Session 11. Epilogue/conclusions [Nicolini & Travieso]

In this last session we take stock of the region's economic and social achievements in the long run, as well as its enduring challenges.

ASSESSMENT

The exam will consist of a take-home essay including three questions (A, B, and C); each answer should be under 800 words. Questions A and B will be taken from a list of questions (one per topic) given to the students in advance during the course. Question C will be a 'secret' question, unveiled on exam day. The answers to Questions A and B are worth 25% each; the answer to Question B is worth 35% of the overall grade. In addition to Questions A and B, the continuous assessment includes class participation, which is worth 15% of the overall grade.

We encourage you to discuss the course content and readings with your colleagues, but assessment in this course is strictly individual. If pieces of work by two different students exhibit a high degree of similarity, both will result in an automatic fail.

Grade weighting

Class participation: 15%

Exam Questions A and B (given in advance): 50%

Exam Question B (unveiled on exam day): 35%

A note on plagiarism

Plagiarism is passing off somebody else's work as your own. This includes verbatim quoting without quotation marks or referencing, as well as paraphrasing someone else's work without acknowledging them. Never paraphrase without indicating your source and making clear to the reader which parts of your paper are not your own work. And never quote without quotation marks (“ ”). We will show no mercy for plagiarism cases, which will result in an automatic fail.