



## EC/IB 336 ECONOMIC DEVELOPMENT IN ARGENTINA AND LATIN AMERICA

IES Abroad Multi-location Emerging Economies

Course taught in Buenos Aires

### DESCRIPTION:

This course provides a theoretical basis of macroeconomics concepts that enables the student to understand economic concepts and perform a critical analysis about Argentina and Latin America. The course will also analyze the economic numbers, of Argentina and the region. This will be accompanied by a historical context for a greater understanding. Finally, after reviewing the region, will proceed to question populism and his threat to economic development. As the course progress, student participation will growth ending with a debate between them. Classes will be complemented with audiovisual material. Once the course is completed, the students will have the ability to understand the economic situation of each country and being able to formulate arguments and critical analysis.

**CREDITS:** 3 credits

**CONTACT HOURS:** 45 hours

**LANGUAGE OF INSTRUCTION:** English

**PREREQUISITES:** A basic introduction to Economics is recommended

**ADDITIONAL COST:** None

### METHOD OF PRESENTATION:

Lectures, class discussions, and audiovisual material.

### REQUIRED WORK AND FORM OF ASSESSMENT:

- Course Participation and Preparation - 5%
- Presentation - 10%
- Midterm Evaluation - 25%
- Final Evaluation - 35%
- Research Project - 25%

### Participation and Preparation

Students are expected to participate actively and to prepare readings and assignments thoroughly before class.

### Presentation

Every student will be required at least once to summarize and make a 10-minute presentation on one of the class readings. The presentation will be conducted at the beginning of the class. Depending on the number of students enrolled, two or more students may be required to present the same text together.

### Midterm and Final Evaluations

There will be two midterm evaluations. The first one will focus on the theoretical aspects of the program to ensure a proper understanding of the concepts before proceeding with the analysis of the countries. The second midterm exam will focus on the analysis of the different countries. The final exam has the same methodology and will **mainly** focus on the case of Argentina and Chile and the final theory class. The format will be short and long essays.

### Research Project

Students will be required to write an essay with a minimum length of 12 and maximum 20 pages (without accounting bibliography and annex data). A brief, oral presentation of the main facts, findings, and conclusions will be held during a late class session. The topics will be freely chosen by the students but should remain relevant to the course topics; approval of the topic by the academic

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staff is required to continue with the project. The format and other formal details will be disclosed during the class sessions and made available to students as a pdf on the Moodle platform. Student papers are due before the final week of class.

**LEARNING OUTCOMES:**

By the end of the course, students will be able to:

- Understand the major macroeconomic concepts.
- Differentiate between countries that achieve economic development and those who stagnate.
- Understand the conflicting arguments that are used by either side of the political spectrum to describe the historic reasons for Latin America’s economic ailments.
- Understand and articulate the local concepts of populism, liberalism, nationalism among others.
- Understand the arguments used and reasons why populism wins votes.
- Have a solid comprehension of the economic situation of the countries of Latin America, in particular Argentina, Brazil, Chile, Colombia, Ecuador, Perú and Mexico.
- Aware of the importance of the institutions and free market for economic development.
- Understand the historical evolution of Latin America’s economy in general.
- Understand the forces that have influenced the economies of Latin America.
- Be able to describe the economic challenges that Argentina has faced in recent decades.
- Be able to explain how the abundance of certain natural resources can be viewed as a blessing or curse for the countries of the region.
- Describe the logic and the pros and cons of import-substituting industrialization.
- Have a clear understanding of the causes and the effects of high inflation and volatile exchange rates on an economy.
- Understand the reasons for and the effects of protectionist policies on an economy.
- Explain the pros and cons of free market policies for Latin America.
- Understand how globalization has affected the economies of the region.
- Comprehend the existing trade blocks in the region.
- Understand the impact and attitude locally to the IMF policies and the Washington consensus.
- Be able to synthesize the main economic ailments of the region.

**CONTENT:**

Session	Content	Assignments
Session 1	<b>Overview of the course</b> <ul style="list-style-type: none"> <li>• Macroeconomic Concepts</li> <li>• Objectives of macroeconomics.</li> <li>• GDP: Real and Nominal GDP</li> </ul>	<ul style="list-style-type: none"> <li>• McConnell: Chapters 6 &amp; 7 (pp 135-171)</li> </ul>
Session 2	<b>The origin of money</b>  <b>Functions of the Central Bank and Inflation</b>	<ul style="list-style-type: none"> <li>• McConnell: Chapters 8 &amp; 9 (pp 172-217)</li> <li>• Menger: The Origin of Money (50p.)</li> <li>• Radford: Economic Organization of a P.O.W. Camp (13p.)</li> </ul>
Session 3	<b>Aggregate supply and the Phillips curve</b>	<ul style="list-style-type: none"> <li>• McConnell: Chapter 12 (pp 263-287).</li> <li>• Ravier: Dynamic Monetary Theory and the Phillips Curve with a Positive Slope (17 p.)</li> </ul>
Session 4	<b>Economic development: Classics and Keynes</b>	<ul style="list-style-type: none"> <li>• McConnell: Chapter 19 (pp 424-440)</li> </ul>

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Session 5	<b>Economic Cycles</b>	<ul style="list-style-type: none"> <li>• McConnell: Chapter 9 (pp 195-217).</li> <li>• Mises: The Theory of Money and Credit. (Chapter 8: 16p.; Chapter 12: 18 p.)</li> </ul>
Session 6	<b>Colonialism in Latin America</b>	<ul style="list-style-type: none"> <li>• Franko: Chapter 2 (pp 31-54)</li> </ul>
Session 7	<b>Exam 1</b>	
Session 8	<b>Argentina Part I:</b> <ul style="list-style-type: none"> <li>• GDP and comparison with the region</li> <li>• The influence of commodity</li> <li>• Tail wind</li> <li>• EMAE and industry</li> <li>• Fiscal deficit</li> <li>• Consumer and government confidence</li> </ul>	<ul style="list-style-type: none"> <li>• HBS cases: 9-702-001 &amp; 094</li> <li>• Mussa: Chapters 1-5</li> </ul>
Session 9	<b>Argentina Part II:</b> <ul style="list-style-type: none"> <li>• What did public expenditure used to be?</li> <li>• Consequences of bad public spending</li> <li>• Inflation</li> <li>• Speed of Money Circulation Index</li> <li>• Public debt</li> <li>• Country risk</li> <li>• The Holdouts affair</li> </ul>	<ul style="list-style-type: none"> <li>• Dornbusch: Chapter 5. (pp 121-150)</li> <li>• IMF: The Role of the IMF in Argentina (Executive Summary). Complete Report at: <a href="http://www.imf.org/External/NP/ieo/2004/arg/eng/">http://www.imf.org/External/NP/ieo/2004/arg/eng/</a></li> </ul>
Session 10	<b>Argentina Part III:</b> <ul style="list-style-type: none"> <li>• Interest rate</li> <li>• Exchange rate history</li> <li>• International reserves</li> <li>• Real exchange rate</li> </ul>	
Session 11	<b>Argentina Part IV: Social Plans</b>	<ul style="list-style-type: none"> <li>• Guest teacher: Marcos Hilding Ohlsson</li> </ul>
Session 12	<b>Argentina Part V:</b> <ul style="list-style-type: none"> <li>• External sector</li> <li>• Comparative analysis</li> <li>• Unemployment</li> <li>• Foreign Direct Investment</li> <li>• Tourism</li> <li>• Social Crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Edwards: Chapter 7 (pp 143-164)</li> </ul>

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<b>Session 13</b>	<b>Chile Part I:</b> <ul style="list-style-type: none"> <li>• GDP</li> <li>• Fiscal deficit</li> <li>• Fiscal awareness proposal</li> <li>• Debt</li> <li>• Tax reform</li> <li>• Labor reform</li> <li>• Educational reform</li> <li>• The Transantiago</li> <li>• Populism in Chile?</li> <li>• Social mobility</li> <li>• The rise of the middle class</li> </ul>	<ul style="list-style-type: none"> <li>• Edwards: Chapter 5 (pp 101-121).</li> <li>• HBS case: 9-798-092.</li> </ul>
<b>Session 14</b>	<b>Brazil and Uruguay:</b> <ul style="list-style-type: none"> <li>• GDP</li> <li>• Fiscal deficit</li> <li>• Inflation</li> <li>• Unemployment</li> <li>• Trade balance</li> <li>• The political and economic crisis of Brazil</li> </ul>	<ul style="list-style-type: none"> <li>• Haber: Chapter 3 (pp 69-120).</li> </ul>
<b>Session 15</b>	<b>Peru and Colombia: GDP</b> <ul style="list-style-type: none"> <li>• Fiscal deficit</li> <li>• Inflation</li> <li>• Unemployment</li> <li>• Trade balance</li> <li>• Democracy in Peru</li> <li>• The case of Sendero Luminoso</li> <li>• Perspectives with PPK (Pedro Pablo Kuczynski)</li> </ul>	<ul style="list-style-type: none"> <li>• Dornbusch: Chapter 9 (pp 263-330) and Chapter 11 (pp 369-392).</li> </ul>
<b>Session 16</b>	<b>Ecuador, Paraguay, and Bolivia: GDP</b> <ul style="list-style-type: none"> <li>• Fiscal deficit</li> <li>• Unemployment</li> <li>• Trade balance</li> <li>• Why the populism of Ecuador is different?</li> <li>• Populism awareness of Bolivia</li> </ul>	<ul style="list-style-type: none"> <li>• Dornbusch: Chapter 1. (pp 7-14).</li> </ul>

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<b>Session 17</b>	<b>Venezuela and Populism:</b> <ul style="list-style-type: none"> <li>• GDP</li> <li>• Fiscal deficit</li> <li>• Inflation</li> <li>• Unemployment</li> <li>• Trade balance</li> <li>• The crisis in Venezuela</li> <li>• Is there any hope for Venezuela?</li> </ul>	<ul style="list-style-type: none"> <li>• Reid: Chapter 7 (pp 159-178).</li> </ul>
<b>Session 18</b>	<b>Exam II</b>	
<b>Session 19</b>	<ul style="list-style-type: none"> <li>• Poverty and inequality</li> <li>• History of poverty</li> <li>• Industrial Revolution</li> <li>• Causes of inequality</li> <li>• Is inequality necessarily bad?</li> <li>• Is inequality actually increasing?</li> </ul>	<ul style="list-style-type: none"> <li>• Haber: Chapter 5 (pp 159-218).</li> <li>• Deaton: Inevitable Inequality?</li> <li>• Harris: Inequality and Progress (Chapter: V, VI, IX &amp; X) (pp 32-49, 69-81)</li> </ul>
<b>Session 20</b>	<ul style="list-style-type: none"> <li>• The importance of Free Markets</li> <li>• Competition</li> <li>• The role of the entrepreneur</li> <li>• Companies in developed and under-developed countries</li> <li>• Wealth creation</li> <li>• Entrepreneurship as poverty output and progress</li> <li>• Movie "The call of the entrepreneur"</li> </ul>	<ul style="list-style-type: none"> <li>• De Soto: Chapters 1-3. "Spreading the gospel: An effort to promote entrepreneurship in the developing world is bearing fruit" The Economist, July 31, 2008.</li> </ul>
<b>Session 21</b>	<ul style="list-style-type: none"> <li>• Private property, Democracy, and Institutional Quality</li> <li>• History and importance of private property</li> <li>• The emergence of democracy</li> <li>• The paradox of democracy</li> <li>• Is democracy enough?</li> <li>• Ranking of institutional quality by countries</li> </ul>	<ul style="list-style-type: none"> <li>• Pipes – Property and Freedom (Chapter :52 p.)</li> </ul>
<b>Session 22</b>	<b>Debate between students</b> <ul style="list-style-type: none"> <li>• Poverty and inequality</li> <li>• The case of Argentina and Venezuela</li> <li>• The paradox of democracy</li> </ul>	

Session	Content	Assignments
Session 23	Student Presentations	
Session 24	Student Presentations	

#### RECOMMENDED READINGS:

- Blustein, Paul. 2006. *And The Money Kept Rolling In (and Out): Wall Street, the IMF and the Bankrupting of Argentina*. Public Affairs.
- Bulmer-Thomas, Victor. 2014. *The Economic History of Latin America Since Independence*. 3rd ed. Cambridge University Press.
- Cardoso, Eliana. 1995. *Latin America's Economy: Diversity, Trends and Conflicts*. MIT Press.
- Coatsworth, John, Taylor, Alan. (eds). 1998. *Latin America and the World Economy Since 1800*. The David Rockefeller Center Series on Latin American Studies, Harvard University Press.
- Cortés Conde, Roberto. 2009. *The Political Economy of Argentina in the Twentieth Century*. Cambridge University Press.
- De Soto, Hernando. 2003. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. Basic Books.
- Della Paolera, Gerardo, Taylor, Alan. (eds). 2003. *A New Economic History of Argentina*. Cambridge University Press.
- Desai, Vandana. Potter, Robert (eds). 2008. *The Companion to Development Studies*. 2nd ed. Hodder Education.
- Di Tella, Rafael. Vogel, Ingrid. 2004. *The Argentine Paradox: Economic Growth and the Populist Tradition*. Harvard Business School case no. 9-702-001.
- Dornbusch, Rudiger, Edwards, Sebastian. 1991. *The Macroeconomics of Populism in Latin America*. University of Chicago Press.
- Edwards, Sebastian. 2012. *Left Behind: Latin America and the False Promise of Populism*. University of Chicago Press.
- Franko, Patrice. 2007. *The Puzzle of Latin American Economic Development*. 3rd ed. Rowman and Littlefield.
- Fukuyama, Francis. 2008. *Falling Behind: Explaining the Development Gap Between Latin America and the United States*. Oxford University Press.
- Furtado, Celso. 1977. *Economic Development of Latin America: Historical Background and Contemporary Problems*. Cambridge University Press.
- Haber, Stephen. 2000. *Political Institutions and Economic Growth in Latin America: Essays in Policy, History and Political Economy*. Hoover Institution Press.
- Harris, Richard. 2005. *Globalization and Development in Latin America*. De Sitter Publications.
- Huw, Pill. 2002. *Argentina: Data Supplement, 1990-2002*. Harvard Business School case no. 9-702-094.
- McConnell, Campbell et al. 2011. *Macroeconomics*. 19th ed. McGraw-Hill Education.
- Mussa, Michael. 2002. *Argentina and the Fund: From Triumph to Tragedy*. Peterson Institute.
- Ramos, Teresita. Kennedy, Robert. 1999. *Chile: The Latin American Tiger?*. Harvard Business School case nbr. 9-798-092.
- Reid, Michael. 2009. *Forgotten Continent: The Battle for Latin America's Soul*. 2nd ed. Yale University Press.
- Reyes, Javier et al. 2015. *Latin American Economic Development*. 2nd ed. Routledge.
- Tanzi, Vito. 2007. *Argentina: An Economic Chronicle*. Jorge Pinto Books.
- Thorpe, Rosemary. 1998. *Progress, Poverty and Exclusion: An Economic History of Latin America in the Twentieth Century*. Inter-American Development Bank.
- Todaro, Michael. 2014. *Economic Development*. 12th ed. Trans-Atlantic Publications (The Pearson Series in Economics).