

# **The Political Economy of Latin American Development**

## **IR 364**

Fall 2008

TTh 2-3:30, SOS B44

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### **Scope and Objectives**

This course will focus on the development challenges facing the nations of Latin America and on the central role of politics in shaping and implementing policy solutions to these challenges. The course will consider the political and economic forces that have influenced this process of economic development. It will analyze how politics obstructs or promotes economic advancement, and how economic developments influence the political order.

The course will unfold in four phases. The first four weeks will be devoted to the theoretic approaches analysts and policy-makers employ to guide their understanding of Latin American development. Explanations of policy decisions and the policy choices of government officials do not emerge miraculously from events. They emerge from the theory which implicitly or explicitly guides analysis. Understanding theory is thus a prerequisite for understanding policy.

The next two weeks of the course briefly consider history. The story of economic development in Latin America did not begin yesterday or even a few decades ago. It began with the arrival of first Europeans to the Western Hemisphere. To understand fully the dilemmas now facing the region, it is essential to comprehend the historic foundation on which policy choices are based.

The final two sections of the course constitute its core and focus on Latin American development since 1930. The third section considers Latin America's post-1930 development based on Import Substitution Industrialization and the political regimes that accompanied this model of economic development. The final section of the course analyzes Latin American development since the 1980s debt crisis. It emphasizes the region's transition toward a market-based economic strategy accompanied by democratization in the last years of the 20<sup>th</sup> century and considers the sustainability of this development model in the early 21<sup>st</sup> century.

### **Requirements**

"Eighty percent of success is showing up". --Woody Allen

The material presented in course lectures forms the foundation for the course and can not be supplemented by relying exclusively on the assigned readings. It will therefore be very difficult for you to perform well in the course without good attendance. I therefore encourage you to heed Woody Allen's words of wisdom.

The course **readings** average a bit more than 100 pages a week, but the readings are unevenly spaced throughout the term. I recommend that you pay close attention to the distribution of the readings so you can keep up-to-date more easily. The readings are designed to complement the lectures. In this spirit, class time will often be devoted to a discussion of the assigned readings. **Students must be prepared to discuss the required readings on the days for which they are assigned.** As an inducement for you to fulfill this requirement, class participation will account for 5% of your grade.

The course includes two **examinations**—a mid-term and a final—and a short term paper. The mid-term examination will consist of two parts: an in-class portion on the date indicated below and a take-home portion due 48 hours later. The final examination will contain the same two parts, but both will be answered during an in-class exam.

The **term paper** is a short research paper that focuses on a specific event in the development experience of a single Latin American country. The paper must be 5-7 typewritten pages (1300-1800 words) and must draw on at least five sources (books or articles), three of which must be scholarly and only one of which may be drawn from the course readings.

### **Grading**

Mid-Term (Thursday, October 16)	25%
Term Paper (Due Tuesday, November 25)	30%
Final Examination	40%
Class Participation	5%

### **Readings**

#### Required text:

Jeffrey Frieden, Manuel Pastor Jr., and Michael Tomz, eds. *Modern Political Economy and Latin America: Theory and Policy*. Boulder, CO: Westview Press, 2000. ISBN 0-8133-2418-1

All required readings not found in Frieden, Pastor and Tomz will be available either on blackboard or found in an electronic journal available to USC students.

#### Recommended Texts:

Thomas E. Skidmore and Peter H. Smith. *Modern Latin America*, 6<sup>th</sup> edition. New York: Oxford University Press, 2004. ISBN10: 0-19-517013-X

*The Penguin Dictionary of Economics*, 7<sup>th</sup> ed. ISBN: 0141010754

Patrice Franko, *The Puzzle of Latin American Economic Development*, New York, Rowman & Littlefield, 2007.

## DETAILED COURSE SYLLABUS

**August 26:** Introductory Session

Scope, format, requirements, and method of course.

### **PART ONE: THEORETIC PERSPECTIVES ON LATIN AMERICAN DEVELOPMENT**

**August 28:** Economic Perspectives: An Introduction to the Market

**September 2-4:** Economic Perspectives: Government Failures versus Market Failures

H.W. Arndt, "The Origins of Structuralism, in Frieden et al: 3-10

Anne Kruger, "Government Failures in Development" in Frieden et al: 10-17

**September 9:** Political Perspectives: International Influences

Joseph Nye Jr., *Soft Power: The Means to Success in World Politics*, chapter 1.

**September 11-16:** Political Perspectives: Domestic Influences

Frieden, et al. "Introduction" in Frieden et al: xi-xix.

Jeff Frieden. "Method of Analysis: Modern Political Economy" in Frieden et al: 35-43.

Barbara Geddes. "Uses and Limitations of Rational Choice" in Frieden et al: 81-92.

### **PART TWO: HISTORIC FOUNDATIONS OF MODERN LATIN AMERICA**

**September 18-23:** From Colony to Independence: The Latin American Political Economy until 1830.

Stanley Engerman and Kenneth Sokoloff. "Factor Endowments, Institutions, and Differential Paths of Growth among New World Economies." in Frieden et al: 122-133.

Recommended:

Skidmore and Smith, *Modern Latin America*. 6th ed., Oxford University Press, 2004: Chapter 1.

**September 25-30:** From Anarchy to Comparative Advantage: 1830-1915

John Coatsworth. "Obstacles to Economic Growth in Nineteenth-Century Mexico", **AND**  
Nathaniel Leff. "Economic Retardation in Nineteenth-Century Brazil", in Frieden et al: 95-121.

E. Bradford Burns. "The Modernization of Underdevelopment in El Salvador, 1858-1931." *Journal of Developing Areas*, 18 (April 1984): 293-316.

Recommended: Skidmore and Smith: Chapter 2 (Phases 1 & 2), Chapters 3-8 (sections through 1930).

### **PART THREE: FROM COMPARATIVE ADVANTAGE TO IMPORT SUBSTITUTION INDUSTRIALIZATION**

**October 2-7:** The Collapse of Comparative Advantage: The Great Depression and World War II.

Rory Miller, "Latin American Manufacturing and the First World War" in Frieden et al: 134-139.

Carlos Diaz-Alejandro. "Latin America in the 1930s in Frieden et al: 140-151.

**October 9-14:** The Emergence of Import Substitution Industrialization

Enrique V. Iglesias. "Latin America at the Time of the Prebisch Report". In Enrique V. Iglesias. *Reflections on Economic Development: Toward a New Latin American Consensus*. Washington, DC: Inter-American Development Bank, 1992: 1-24.

Joseph L. Love. "Raul Prebisch and the Origins of the Doctrine of Unequal Exchange." *Latin American Research Review* 15:3 (1980): 45-72.

Recommended:

Skidmore and Smith: Chapter 2 (Phase 3), Chapter 4 (first three sections).

**October 16: MID-TERM EXAMINATION**

**October 21:** The Political Foundations of ISI: Populism

Christian Suter. "Genesis and Dynamics of Populist Regimes in Latin America, 1900-1990: A Comparative Analysis." Paper presented at the International Studies Association Conference, 23-27 March 1993.

Recommended:

Skidmore and Smith: Chapters 3-8 (sections covering 1930-1970).

**October 22-28: The Successes and Failures of Import Substitution**

Eliana Cardoso and Ann Helwege, "Import Substitution Industrialization" in Frieden et al: 155-164.

James H. Mahon, Jr. "Was Latin America Too Rich to Prosper? Structural and Political Obstacles to Export-Led Growth", in Frieden, et al: 165-172.

Recommended:

Skidmore and Smith: Chapter 2 (phase 4).

Guillermo O'Donnell. "State and Alliances in Argentina, 1956-1976". In Robert Bates, ed. *Toward a Political Economy of Development*, Berkeley: University of California Press, 1988: 176-205.

## **PART FOUR: DEBT CRISIS, REFORM AND BEYOND**

### **October 30:** The Debt Crisis: The Beginning of the End of ISI

Patrice Franko, "Latin America's Debt Crisis", in *The Puzzle of Latin American Economic Development*, New York, Rowman & Littlefield, 2007: 79-94.

Recommended:

Skidmore and Smith: Chapter 2 (phase 5).

Enrique Iglesias. "Evolution and Crisis of the Economies of Latin America", in *Reflections on Economic Development*: 25-38.

Werner Baer and Kent Hargis, "Forms of External Capital and Economic Development in Latin America: 1820-1997", in Frieden et al: 195-208.

### **November 4-6:** The Political Economy of Neoliberal Reform.

Patrice Franko, "Latin America's Debt Crisis and Price Stabilization", in *The Puzzle of Latin American Economic Development*, New York, Rowman & Littlefield, 2007: 94-148.

Catherine M. Conaghan, "Reconsidering Jeffrey Sachs and the Bolivian Economic Experiment". In Paul Drake, ed. *Money Doctors, Foreign Debts, and Economic Reforms in Latin America*, Wilmington, DL: Scholarly Resources, 1994: 236-266.

Edward Gibson. "The Populist Road to Market Reform: Policy and Electoral Coalitions in Mexico and Argentina." *World Politics*, 49:3, 1997: 339-370.

Recommended:

Skidmore and Smith: Chapters 3-8 (sections covering 1980-1990).

Kenneth Roberts. "Neoliberalism and the Transformation of Populism in Latin America: The Peruvian Case." *World Politics* 48 (October 1995): 82-116.

### **November 11: Term Paper Research**

### **November 13:** Export-Led Growth in Latin America, Round II: The Market

Calvo, Leiderman, and Reinhart, "Inflows of Capital to Developing Countries in the 1990s" in Frieden et al: 217-223.

Joel Bergsman and Xiaofang Shen, "Foreign Direct Investment in Developing Countries: Progress and Problems in Frieden, et al: 224-228.

Patrice Franko, "Contemporary Trade Policy", in *The Puzzle of Latin American Economic Development*, New York, Rowman & Littlefield, 2007: 223-261.

**November 18:** Export-Led Growth in Latin America, Round II: The Political Economy

Barbara Geddes, “Challenging the Conventional Wisdom in Frieden et al: 237-246.

Stephan Haggard, “Democratic Institutions, Economic Policy, and Development” in Frieden et al: 247-260.

Manuel Pastor and Carol Wise, “The Origins of Mexico’s Free Trade Policy” in Frieden et al: 178-185.

Pamela K. Starr. “Anatomy of a Crisis Foretold: Argentina” *Current History* (February 2003).

Recommended:

Skidmore and Smith: Chapters 3-8 (sections covering 1990-2004), Epilogue.

**November 20:** The Equity Issue

Interamerican Development Bank, “Facing Up to Inequality in Latin America”, in Frieden et al: 287-297.

UNCTAD, “Income Distribution, Capital Accumulation, and Growth”, in Frieden et al: 298-306.

Recommended:

Erich Weede. "Rent-seeking or Dependency as Explanations of Why Poor People Stay Poor". *International Sociology* 1:4 (1986):421-441.

**November 25 – December 2:** State versus Market in Latin America’s Future  
(Term Paper Due)

Patrice Franko, “The Role of the State”, in *The Puzzle of Latin American Economic Development*, New York, Rowman & Littlefield, 2007: 149-164.

Additional readings to be assigned.

Recommended:

Pamela K. Starr. “Perfecting Reform in Latin America: What Role for the State?” *Latin American Research Review* 37:2 (2002): 183-199.

**November 27: No Class. Thanksgiving Day**

**December 4: Review**