

The Economics of Mexico
Economics 162 - Fall 2016
M/W/F 3:00-3:50pm – Center Hall, 109

Instructor

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Office Hours: Tuesdays 10:30am -11:30am, or by appointment
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Teaching Assistant

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Sequoyah 237

Objective

This course will introduce you to the evolution of the Mexican economy over the past 70 years. In particular, it will explain its transition from a relatively closed economy with strong government intervention during the mid-twentieth century, to a more liberalized and deregulated economy by the early 1990's. It will also explore the current state of the economy focusing on: growth, trade, migration, the financial sector, poverty, education, inequality and productivity/innovation.

Prerequisites

Econ 1: Principles of Microeconomics & Econ 3: Principles of Macroeconomics

Assessment and Important Dates

Two midterm exams (20% each), two problem sets (10% each) and a cumulative final exam (40%)

Three problem sets will be distributed but only two will count towards your final grade. Late problem sets will not be accepted. This avoids arbitrary decisions on my end about what is a legitimate excuse for late homework and what is not.

First Midterm Exam: Wednesday October 19th, in class

Second Midterm Exam: Wednesday November 16th, in class

Final Exam: Friday December 9th, 3:00-6:00pm, PCYNH 106

Problem Set 1: Monday October 17th, in class (Tentative)

Problem Set 2: Monday November 14th, in class (Tentative)

Problem Set 3: Wednesday November 30th, in class (Tentative)

Shanthi will hold three review sessions, one before each midterm exam and one before the final exam. Any regrade requests must be accompanied by a sheet of paper where the student solves the problem as suggested by the posted solutions. This is to protect the TA's time and ensure that any regrade requests are given sufficient thought.

Readings

We will primarily rely on the following book which I recommend you purchase or borrow from the library:

[HKMM] Haber, S., Klein, H., Maurer, N. and Middlebrow, K., *Mexico Since 1980*, New York: Cambridge University Press, 2008.

The class will cover a handful of theories related to international trade. We will not cover the material in a level of detail where it would be necessary to ask you to purchase a second book. However, as an additional resource beyond class lectures, I've made the relevant pages of the following international trade textbook available online through the UCSD Libraries electronic reserves. You should view this textbook as a supplement to class lectures when needed, and not as required reading.

[FT] Feenstra, Robert C. and Taylor, Alan M., *International Trade*, Worth Publishers, N.Y.: New York, 2008.

Readings marked with a () are required, all other readings are optional.*

I. Industrialization, Import Substitution and its Consequences

(*) HKMM, Chapter 2, *Mexico Before 1982: The Political Economy of Authoritarian Rule*, pp. 20-65

FT, Chapter 2, *The Ricardian Model*, pp. 27-47, 53

Patrice Franco (2003) *The puzzle of Latin American economic development*, Lanham: Rowman & Littlefield Publishers Inc., USA, Chapter 3 & Chapter 4

<http://www.colby.edu/economics/faculty/pmfranko/pdf/3.pdf>

<http://www.colby.edu/economics/faculty/pmfranko/pdf/4.pdf>

II. Liberalization and Market Reform

(*) HKMM, Chapter 3, *The Causes and Consequences of Free Trade*, pp.66-94

Gary Clyde Hufbauer and Jeffrey J. Schott (2005) *NAFTA Revisited: Achievements and Challenges*, Overview p.1-17,

http://www.iie.com/publications/chapters_preview/332/01iie3349.pdf

Chong, A., & López-de-Silanes, F. (2004). Privatization in Mexico. p.1-39

http://www.econstor.eu/bitstream/10419/88027/1/idb-wp_513.pdf

III. The Financial Sector and Tequila Crisis

(*) HKMM, Chapter 4, *The Mexican Banking System: The Politics and Economics of Financial Underdevelopment*, pp. 95-122

Haber, S. (2005). Mexico's experiments with bank privatization and liberalization, 1991–2003. *Journal of Banking & Finance*, 29(8), 2325-2353.

IV. Labor Markets and Wage Inequality

(*) Esquivel, G., & Cruces, G. (2011). The dynamics of income inequality in Mexico since NAFTA [with comment]. *Economía*, 12(1), 155-188.

FT, Chapter 4, *The Heckscher-Ohlin Model*, pp. 95-115

FT, Chapter 7, *A Model of Outsourcing*, pp. 232-245

V. Migration and Its Effects

(*) Mishra, P. (2007). Emigration and wages in source countries: Evidence from Mexico. *Journal of Development Economics*, 82(1), 180-199.

Chiquiar, D., & Salcedo, A. (2013). Mexican migration to the United States: Underlying economic factors and possible scenarios for future flows (No. 2013-20). Working Papers, Banco de México.

Hanson, G. H. (2008). The economic consequences of the international migration of labor (No. w14490). National Bureau of Economic Research.

VI. Poverty, Education and Health

(*) HKMM, Chapter 6, *Health, Education, and Welfare in Mexico Since 1980*, pp.161-181,197-200

(*) Gertler, P. J., Martinez, S. W., & Rubio-Codina, M. (2012). Investing cash transfers to raise long-term living standards. *American Economic Journal: Applied Economics*, 164-192.
(You only need to read p. 164-183)

OECD. 2015. *Mexico: Policy Priorities to Upgrade the Skills and Knowledge of Mexicans for Greater Productivity and Innovation*. OECD Publishing. p.1-13
<http://www.oecd.org/mexico/mexico-policy-priorities-to-upgrade-skills-and-knowledge-of-mexicans.pdf>

VII. Productivity and Innovation

(*) Eduardo Bolio, Jaana Remes, Tomás Lajous, James Manyika, Eugenia Ramirez, and Morten Rossé (2014) A Tale of Two Mexicos: Growth and prosperity in a two-speed economy. McKinsey Global Institute. **(EXECUTIVE SUMMARY only)**
<http://www.mckinsey.com/global-themes/americas/a-tale-of-two-mexicos>

Lederman, D., & Maloney, W. F. (2002). Innovation in Mexico: NAFTA is not enough. *World Bank, Washington, DC*.
<http://web.worldbank.org/archive/website00955A/WEB/PDF/LEDERMAN.PDF>

FT, Chapter 6, *Increasing Returns to Scale and Imperfect Competition – Gains and Adjustment Costs for Mexico under NAFTA*, pp. 201-208

VIII. Challenges for the Future

(*) Hanson, G. H. (2010). Why isn't Mexico rich? (No. w16470). National Bureau of Economic Research.

Andres Sada (2013) “Explainer: What is the Pacto for Mexico” Council of the Americas
<http://www.as-coa.org/articles/explainer-what-pacto-por-méxico>

OECD. 2015. *OECD Economic Surveys: Mexico*. OECD Publishing. pp.1-37. (***EXECUTIVE SUMMARY only***) <https://www.oecd.org/eco/surveys/Mexico-Overview-2015.pdf>