

The Economics of Mexico

Economics 162-Spring 2006

MWF 12:00 - 12:50 pm

Center Hall 222

Instructor

Prof. Robert Duval-Hernández

rduvalhernandez@ucsd.edu

Center for U.S.-Mexican Studies (CUSMS) 111

Office Hours: Thursdays, 1-3 pm

Teaching Assistant

Jose Martinez

j14marti@ucsd.edu

CUSMS 109

Office Hours:

Monday 9:30-11:30 am

Wed 10:30-11:30am

Objective

This course will introduce you to the evolution of the Mexican economy in the past 50 years. In particular, it will explain its transition from a relatively closed economy with a strong government intervention during the mid-twentieth century, to a more liberalized and deregulated economy by the early 1990's. Finally, it will explore the current state of the economy on several topics such as: growth, migration, financial sector, poverty and inequality, etc.

Readings

We will rely mostly on papers and book chapters that are, for the most part, empirical in nature. Most of the readings are in the electronic reserve for the course at <http://reserves.ucsd.edu>. Some readings will be available directly from the internet. **All readings are required.**

Grading

There will be 1 midterm exam and 1 non-cumulative final exam. In addition to that, there will be weekly quizzes to test your understanding of the readings, and to encourage you to read in advance and not procrastinate until the exams come. The distributions of these 3 components will be the following:

Quizzes: 30%

Midterm and Final: 35% each

Course Plan

A. Industrialization, Import Substitution and its Consequences

- 1) Patrice Franko (2003) *The puzzle of Latin American economic development*, Lanham: Rowman & Littlefield Publishers Inc., USA, **Chapter 3**
- 2) Stephen Haber (2005). "Development Strategy or Endogenous Process? The Industrialization of Latin America", mimeo, <http://www.stanford.edu/~haber/papers.html>
- 3) Patrice Franko (2003) *The puzzle of Latin American economic development*, Lanham: Rowman & Littlefield Publishers Inc., USA, **Chapter 4**
- 4) Nora Lustig (1998) *Mexico : the remaking of an economy*, Washington, DC: Brookings Institution Press, USA, **Chapter 1**

B. Liberalization and Market Reform

- Williamson, J. (1995) "What Washington means by policy reform" in *The international political economy and the developing countries* Vol. 1, Haggard, S. (ed.), Aldershot, Hants, England; Brookfield, Vt., USA: E. Elgar, Chapter 18, **pp. 514-528**
- Anne Krueger (1998) "Why Trade Liberalisation is Good for Growth", *The Economic Journal*, Vol. 108, September, **pp. 1513-1522**
- Sebastian Edwards (1995), *Crisis and reform in Latin America: from despair to hope*, Oxford; New York, USA., **Chapter 3**
- Pedro Aspe, (1993), *Economic Transformation. The Mexican Way*, The MIT Press, USA, **Chapter 1**

In-class Midterm Date TBA

C. The Mexican Economy Today

C1. Liberalization and the Macroeconomy

- A. Tornell, Westermann F., and Martínez L. (2003) "Liberalization, Growth, and Financial Crises: Lessons from Mexico and the Developing World" *Brookings Papers on Economic Activity*, Vol. 2003, No. 2, **pp. 1-69 (skip appendices and discussion)**.
- D. Lederman, Maloney W.F., Servén L. (2005) *Lessons from NAFTA for Latin America and the Caribbean*, Washington, D.C. : World Bank ; Palo Alto : Stanford University Press. **Chapter 1**

C2. Financial Sector

Stephen Haber (2004) "Mexico's Experiments with Bank Privatization and Liberalization, 1991-2003", mimeo, <http://www.stanford.edu/~haber/papers.html>

M. Espinoza and Sinha, T. (2000), "A Primer and Assessment of Social Security Reform in Mexico", *Economic Review*, First Quarter, Federal reserve Bank of Atlanta, pp. 1-23.

C3. Labor Markets

Gordon Hanson (2005) "Globalization, Labor Income and Poverty in Mexico" in Ann Harrison, ed., *Globalization and Poverty*, Chicago: University of Chicago Press and the National Bureau of Economic Research, forthcoming. <http://www.nber.org/books/glob-pov/hanson8-1-05.pdf>

G. Esquivel and Rodriguez, J. (2003), "Technology, trade and wage inequality in Mexico before and after NAFTA", *Journal of Development Economics*, vol. 72, pp. 543-565

C4. Migration and its effects

Kurt Unger (2005) "Regional Economic Development and Mexican Out-Migration" NBER Working Papers, National Bureau of Economic Research, WP# 11432

Mishra, Prachi. (2003) "Emigration and Wages in Source Countries: Evidence from Mexico," mimeo, <http://www.columbia.edu/~pm338/research.htm>

C5. Poverty and Inequality

World Bank (2004) "Poverty in Mexico: An Assessment of Conditions, Trends, and Government Strategy", **read: Summary and Key Messages**
<http://www.bancomundial.org.mx/pdf/estudiosporsector/povertyinmexico/2.pdf>

Gladys Lopez-Acevedo (2004) "Mexico: Evolution of Earnings Inequality and Rates of Returns to Education (1988-2002)", *Estudios-Economicos*, July-Dec.; 19(2):pp. 211-84.

J. E. Foster, Lopez-Calva, L.F., and Szekely, M., (2005) "Measuring the Distribution of Human Development: methodology and an application to Mexico", *Journal of Human Development*, Volume 6, Number 1, pp. 5 – 25

C6. The Challenges for the Future

John Scott "Who benefits from Social Spending" CIDE Working Paper 208,
http://www.presupuestoygastopublico.org/documentos/incidencia_gasto/DT%20208.pdf

K. Griffin and A. Ickowitz (2003), "Confronting Human Development in Mexico" in K. Middlebrook and E. Zepeda (eds.) *Confronting Development. Assessing Mexico's Economic and Social Policy Challenges*, Center for U.S.-Mexican Studies, UCSD, **pp. 577-595**

F. Gil-Diaz, (2003) "Don't blame our failures on reforms that have not taken place" *Fraser Forum*, June, **pp. 7-11**

Nora Lustig (2001) "Life is not easy: Mexico's quest for stability and growth", *Journal of Economic Perspectives*, Vol. 15(1), Winter, **pp. 85-106**

Additional Required Reading

George J. Borjas (2000) *Labor economics* Boston: Irwin/McGraw-Hill, 2nd ed
Appendix to Chapter 1: An Introduction to Regression Analysis