

# The Economics of Mexico

Economics 162-Spring 2008

Tu/Th 9:30-10:50am

Solis 107

## Instructor

Prof. José Martínez

[j14marti@ucsd.edu](mailto:j14marti@ucsd.edu)

Center for U.S.-Mexican Studies (CUSMS) 120

Office Hours: Tu/Th, 11:00am-12:00noon

## Teaching Assistant

Karmen Suen

[ksuen@ucsd.edu](mailto:ksuen@ucsd.edu)

Sequoia 239

Office Hours: Monday 1-3 pm

## 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 areas such as: growth, migration, financial sector, poverty and inequality, etc.

## Readings

We will rely 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.**

I will post my Power Point presentations on the course webpage. You should read them too.

**Course Webpage:** <http://josemartinezphd.googlepages.com/teaching>

## Grading

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

Quizzes: 20%

Midterm and Final: 40% each

## Course Plan

### A. Industrialization, Import Substitution and its Consequences

Patrice Franko (2003) *The puzzle of Latin American economic development*, Lanham: Rowman & Littlefield Publishers Inc., USA, **Chapter 3** (only on physical reserve at SSH Library)

Stephen Haber (2005). "Development Strategy or Endogenous Process? The Industrialization of Latin America", preprint, <http://www.stanford.edu/~haber/papers.html>

Patrice Franko (2003) *The puzzle of Latin American economic development*, Lanham: Rowman & Littlefield Publishers Inc., USA, **Chapter 4** (only on physical reserve at SSH Library)

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**

Alberto Chong and López de Silanes, F. (2005) "Privatization in Mexico" in *Privatization in Latin America*, Chong, A. and F. López de Silanes, (eds.), IADB-Stanford University Press, Chapter 7, **pp. 349-355**

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

## In-class Midterm Date TBA

### C. The Mexican Economy Today

#### *C1. Macroeconomic Performance and Financial Sector*

Gary Clyde Hufbauer and Jeffrey J. Schott (2005) *NAFTA Revisited: Achievements and Challenges*, **Overview p.17-63**,  
[http://www.iie.com/publications/chapters\\_preview/332/01iie3349.pdf](http://www.iie.com/publications/chapters_preview/332/01iie3349.pdf)

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

Alberto Chong and López de Silanes, F. (2005) “Privatization in Mexico” in *Privatization in Latin America*, Chong, A. and F. López de Silanes, (eds.), IADB-Stanford University Press, Chapter 7, pp. 355-393

Organization of Economic Co-operation and Development (2005) *Economic Survey of Mexico 2005*, Chapter 1, pp.17-24

[http://www.oecd.org/document/54/0,2340,en\\_33873108\\_33873610\\_35320950\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/54/0,2340,en_33873108_33873610_35320950_1_1_1_1,00.html)

## ***C2. 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

## ***C3. Migration and its effects***

Ernesto López-Córdova (2005) “Globalization, Migration, and Development: The Role of Mexican Migrant Remittances”, *Economía. The Journal of LACEA*, vol. 6(1), pp.217-247

Prachi Mishra, (2007) “Emigration and Wages in Source Countries: Evidence from Mexico”, *Journal of Development Economics*, vol. 82(1), pp.180-199

David J. McKenzie (2006) “Beyond Remittances: The Effects of Migration on Mexican Households”, *International Migration, Remittances & the Brain Drain*, C. Ozden and Schiff, M., Eds., World Bank-Palgrave Macmillan, pp.123-147

## ***C4. Poverty and Inequality***

### *Trends*

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>

Ricardo Fuentes and Andrés Montes “Mexico: Country Case Study Towards the Millennium Development Goals at the Sub-National Level”, Human Development Report Office Occasional Paper, Background paper for HDR 2003, UNDP  
[http://hdr.undp.org/docs/publications/background\\_papers/2003/Mexico/Mexico\\_2003.pdf](http://hdr.undp.org/docs/publications/background_papers/2003/Mexico/Mexico_2003.pdf)

## *Policy*

Don Sillers (2003) “PROGRESA an Overview”, USAID Working Paper.  
[http://www.povertyfrontiers.org/ev\\_en.php?ID=1119\\_201&ID2=DO\\_TOPIC](http://www.povertyfrontiers.org/ev_en.php?ID=1119_201&ID2=DO_TOPIC)

Emmanuel Skoufias and Bonnie McClafferty (2001) “Is PROGRESA Working? Summary of the Results of an Evaluation by IFPRI” FCND DP No. 118, IFPRI.  
<http://www.ifpri.org/divs/fcnd/dp/papers/fcndp118.pdf>

### **D. The Challenges for the Future**

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

Organization of Economic Co-operation and Development (2005) *Economic Survey of Mexico 2005*, pp. 24-37  
[http://www.oecd.org/document/54/0,2340,en\\_33873108\\_33873610\\_35320950\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/54/0,2340,en_33873108_33873610_35320950_1_1_1_1,00.html)

Richard Jackson (2005) “Building Human Capital in an Aging Mexico”, A Report of the U.S.-Mexico Binational Council. Washington: Center for Strategic and International Studies.  
read: 1-15  
[http://www.csis.org/index.php?option=com\\_csis\\_pubs&task=view&id=493](http://www.csis.org/index.php?option=com_csis_pubs&task=view&id=493)

### **Additional Required Reading**

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