

The Economics of Mexico
Economics 162 - Spring 2017
Wednesdays 5:00-7:50pm – Center Hall, 212

Instructor

Deborah Watkins, dawatkins@ucsd.edu
Office Hours: Tuesdays 2:00pm-4:00pm
Center for U.S.-Mexican Studies, Conference Room

Teaching Assistant

Shanthi Manian, smanian@ucsd.edu
Office Hours: Thursdays 1:00pm-3:00pm
Sequoyah Hall 237

Reader

Sam Young, smyoung@ucsd.edu

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 closed economy with strong government intervention during the mid-twentieth century, to a more liberalized and deregulated economy by the early 1990's. We will work through basic economic models to help us understand the different phases of this evolution. The class will also explore the current state of the economy focusing on: growth, immigration, poverty, education, inequality and productivity/innovation.

Prerequisites

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

Assessment and Important Dates

One midterm exam (30%), two problem sets (15% each) and a cumulative final exam (40%)

Midterm Exam: Wednesday May 3rd, in class

Final Exam: Friday June 16th, 7:00-9:50pm, Location TBA

Problem Set 1: Wednesday April 26th, in class

Problem Set 2: Wednesday June 7th, in class

Problem will be collected at the beginning of class. Late problem sets will not be accepted.

Shanthi will hold two review sessions, one before the midterm exam and one before the final exam.

Regrade requests can be submitted to either Sam or Shanthi and should 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 provides a good qualitative overview of many of the topics which we will cover. I suggest you purchase it or borrow it 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 also cover a handful of theories related to international trade. It is not necessary for 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 the material in these scanned pages as a supplement to class lectures if 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 4
<http://www.colby.edu/economics/faculty/pmfranko/pdf/3.pdf>

II. Debt Crisis and the Lost Decade

Patrice Franco (2003) *The puzzle of Latin American economic development*, Lanham: Rowman & Littlefield Publishers Inc., Chapter 4
<http://www.colby.edu/economics/faculty/pmfranko/pdf/4.pdf>

III. Liberalization and Market Reform

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

(*) James McBride, *NAFTA's Economic Impact*, Council on Foreign Relations, 1/24/2017
<http://www.cfr.org/trade/naftas-economic-impact/p15790>

(*) *Reshape or Shatter? The pitfalls of renegotiating NAFTA*, The Economist, 2/11/2017
<http://www.economist.com/news/americas/21716660-revision-north-american-trade-deal-will-not-give-donald-trump-what-he-wants>

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

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. p.95-115

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

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.

Gordon Hanson, *The Economics and Policy of Illegal Immigration in the United States* (Washington, D.C: Migration Policy Institute, 2009)

<http://www.migrationpolicy.org/research/economics-and-policy-illegal-immigration-united-states>

Jeffrey Passel, D'vera Cohn and Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero – and Perhaps Less* (Pew Research Center, Hispanic Trends 2012)

<http://www.pewhispanic.org/2012/04/23/net-migration-from-mexico-falls-to-zero-and-perhaps-less/#>

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.

(Only pages 164-183)

VII. Productivity and Innovation

(*) Eduardo Bolio, Jaana Remes, Tomás Lajous, James Manyika, Eugenia Ramirez, and Morten Rossé, *A Tale of Two Mexicos: Growth and prosperity in a two-speed economy*. (McKinsey Global Institute, 2014) **(Executive Summary only)**

<http://www.mckinsey.com/global-themes/americas/a-tale-of-two-mexicos>

VIII. Challenges for the Future

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

(*) Andres Sada, *Explainer: What is the Pacto for Mexico*, (Council of the Americas, 2013)

<http://www.as-coa.org/articles/explainer-what-pacto-por-méxico>