

## Class Calendar for ECON 3235 Economics of Latin America

Fall 2018

**Last update Octber 14<sup>th</sup>** hit refresh! [FCRH Calendar](#) Fall 18 [Syllabus](#).

**Office hours:** please see [darrylmcleod.com](http://darrylmcleod.com) other times fine just email me to confirm [mcleod@fordham.edu](mailto:mcleod@fordham.edu) My office phone is 718-817-0063 works but only if I am in my office 718 817-4048 Skype: darryl.mcLeod. Most readings should be below or linked to pdfs or on the [class syllabus](#). **Reading question** or *broken url?, please send me an email*. Final date? A&L, 2017 is our MIT Press text...my [Twitter feed](#) has some relevant readings but mainly re migration issues (important for some but not all LatAm cty. **WEBEX works** for office hours anytime, no video just audio & screen sharing <https://fordham.webex.com/join/mcleod> [Laptops are great](#), except during lectures (should we text this hyp?)

October 2018						
Mon	Tu	W	Th	Fri	Sat	Sun
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	32	33	34	35

**Quiz 1 October 15<sup>th</sup>:** Here is the [revised review sheet for Quiz 1](#) which will be done in class October 15<sup>th</sup> at 5pm (sorry Webex did not work, we will fix it, most of our discussion and your questions during the review session have been incorporated in this revised review sheet)

**Quiz 2 in class at 5pm on October 18<sup>th</sup>.** Midterm exam Monday October 22<sup>nd</sup> in class (a 2<sup>nd</sup> section of the midterm will be related to your country case study will be take home, to be completed and submitted on BB the following week). [DeVries The IMF Experience](#) see pages 10-13 [How is the Peso doing?](#)

*Quiz 1 review material:* [What determines the RER in the Market for dollars diagram](#)

Paul Romer, on [Urban Expansion in Colombia](#) *Value Chains:* [Deconstructing the iPhone XS, Piece by Piece](#)

See Sharmila Devadas & Norman Loayza [When current account imbalances matter](#) Oct 2018 WB-MYS

Handout: [Sample questions from online quiz answers and review sheet from 2017](#)

**Brazil Election** [updates here \(and presentation on race and social mobility...\)](#) *NYTimes Brazil Election heads to* [Runoff as far-right candidate falls just short of outright win](#) [Updated Brazil Election notes](#)

[Washington Post October 4<sup>th</sup>](#) BBC [Trump of the tropics?](#)

**Violence in Latin America:** *What did Mexico just do in Acapulco, a gift for AMLO what does AMLO want to do about* [WP Opinion LatAm's murder rate is skyrocketing. The U.S. should help](#)

**Getting to know the real exchange rate (Starbucks version)** [WSJ 2017 Tall Latte RER](#)  
[Fiscal Rules: Easy to love, Hard to Cheat](#)

News/Lecture notes Sept 17<sup>th</sup>: [Will AMLO undo Education Reform in Mex?](#) (wild) [Brazil Election update](#)  
[Carlos Slim and me](#) [Good ideas, missing theory...](#)

**Notes/news/readings for Sept 14<sup>th</sup>:** [Stay out of Venezuela](#) [Christine Lagarde Ten years after](#) [Lehman II?](#)  
[AS/COA Brazil Poll Tracker](#) [Edwards 2009 Chapter 7 The Mother of all Crises](#) will fix page 1 soon...

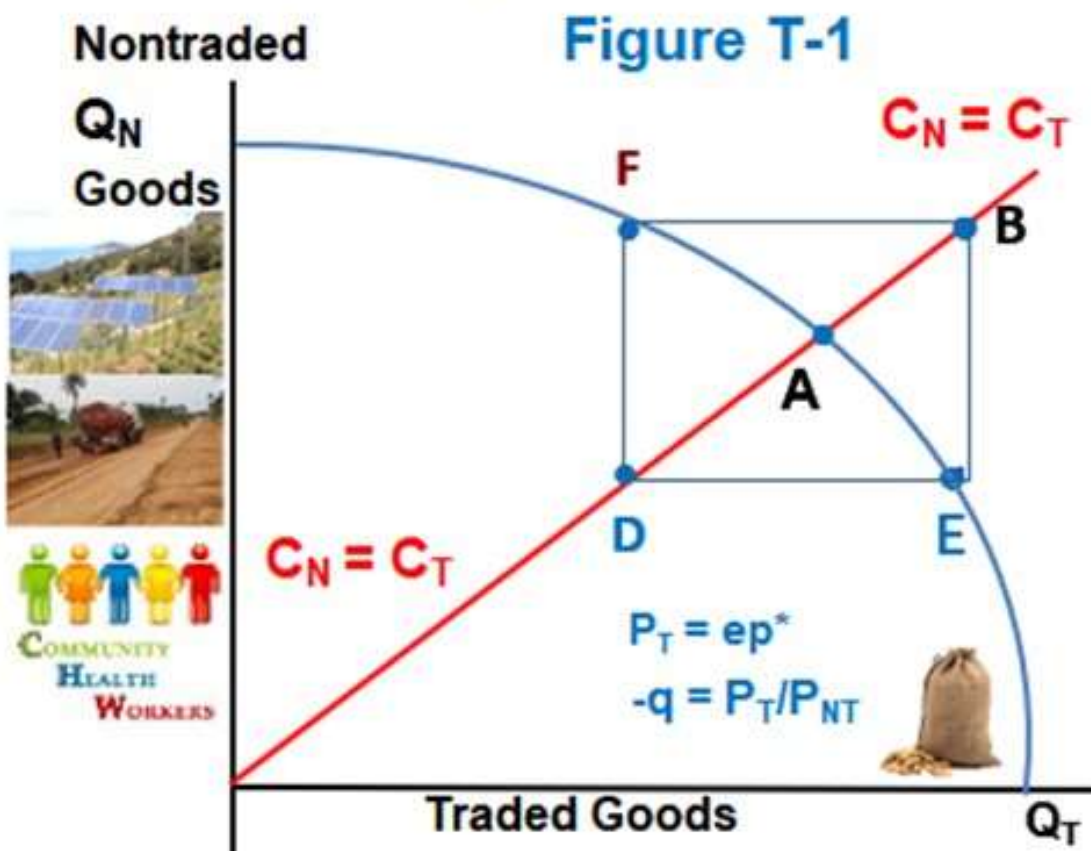
**Country Case Study resources** (many of these Figures & pictures roll off the calendar) [2017 GTM case study](#)  
[Interactive poverty & middle class diagram for case study](#) [WB human Capital Index](#) [Report](#)

**Sources of** [Poverty, Middle class or Vulnerable Data](#) Finding Peer and [Comparator](#) Countries [LatAm peers](#)  
Chose a year and then a peer group...

Hausmann, R., Rodrik, D., & Velasco, A. (2008). [Growth diagnostics. The Washington consensus reconsidered: Towards a new global governance](#), 324-355. Making use of [online interactive diagrams](#) [Fall 2017 Case Study Resources](#)

**ECON 3235 Latin America Fall 2018 Case Studies**

		Main Country + peers/comparator		
Irving	Cajas	Ecuador	Argentina	
Thomas	Cole	Brazil	Uruguay	Panama
Mark	Liley	Puerto Rico	Argentina	
Olivia	Maldonado	Nicaragua	Bolivia	
Jake	Miller-Tolt	Panama?		
Radny	Porter Arcia	Costa Rica	Argentina	Venezuela
Eva	Signorino	Bolivia	Chile	Peri
Paula	Torrado Aguilar Cauz	Mexico	Venezuela	
Peter	Baumgarth	Uruguay	Chile	
Rosalyn	Kutch	Colombia	Bolivia	Uruguay



Dark matter revenge: [Dollar's strength a drag on multinational corporations](#) (much of their revenues overseas via @WSJ) [Investopedia](#) notes on the balance of payments vs. the balance of trade ([3 minute video](#))

**Notes for September 10<sup>th</sup>:** [Geography Growth & Climate change Lecture notes](#)

How will knife attack on Jair Bolsonaro affect Brazilian Election? ([Aljazeera 9-7-18](#)) [Nafta 10 years After HW#2 Posted due September 14<sup>th</sup>](#) please review before class. NY Times [A Crypto Utopia in Puerto](#)

**September 11<sup>th</sup>** Commanding Heights Introduction: [BBC: World Trade Center](#) Station back 17 years after, [Pacific Alliance: heir to NAFTA](#) and TPP but with China? Signals from SLV and DOM: they cut ties with Taiwan? Why? Is the U.S. pleased? [NY City's Debt Crisis 1975-77](#) WSJ [Lehman Political & Personal](#)

**Notes for September 6<sup>th</sup>** Lecture (Chile was bumped by Argentina, as it enters a severe currency/debt crisis. [Chile Case Study F2017](#) [Basta YA!](#) [Where is ex Chilean President Bachelet now?](#) [FEMA overwhelmed](#) [Doing Business in Puerto Rico, Comparator Economies](#) [Why NAFTA Matters \(see slide 6\)](#) [NAFTA Value Chain](#) [Elephant Curve growth pattern](#)

**August 29<sup>th</sup> Lecture notes:** [Geography and Growth](#) [Chile's Graduation](#) Op Ed by Ernesto Zedillo Former Mexican president and PhD economist who brought democracy to Mexico in 2000: [Mexico and Canada, don't cave to Trump](#) Economist August 25<sup>th</sup> 2018 [A rude reception awaits many Venezuelans fleeing their country](#) See BB for HW #1 assignment due September 7<sup>th</sup> (always check BB for due dates).

[http://www.gdsnet.org/Econ3235\\_MexicoNAFTAPovertyTraps\\_2017.pdf](http://www.gdsnet.org/Econ3235_MexicoNAFTAPovertyTraps_2017.pdf) Baldwin PIIE slides:

**Terms for review:** Overshooting, Nominal Anchor, Managed float, inflation targeting, FX passthrough, Nominal Exchange Rate, real exchange rate, inflation adjusted exchange rate, **Heterodox Adjustment policies, Orthodox Adjustment policies, Internal Devaluation, External Devaluation, Contagion, Beggar thy neighbor policies, good neighbor policies...**

1. Use the RER formula  $q = ep^*/p$  to distinguish between an internal and external devaluation.
2. Who was Bartolomé de las Casas (see [A&R 2013 pdf page 24](#), please get the official page number from [this copy of A&R, 2013 chapter 1](#), sorry for the extra step)? Briefly, why is Nogales, Mexico poorer than Nogales, Arizona, according to Acemoglu and Robinson's Why Nations Fail? How do Carlos Slim and Bill Gates fit their story? [Bill Gates writes a critical review of A&R, 2013](#) and defends Carlos Slim (for why, see Mexico, [Carlos Slim, and Me \(Gene banks for crops\) Feb 2013](#)).
3. [In Government, Geography, and Growth: The True Drivers..](#) Jeffrey Sachs argues Acemoglu and Robinson are wrong about the U.S. and Mexico and about Economic Development generally, what does his argument imply about Nogales Mexico vs. Nogales Arizona? Use quotes and/or page numbers if possible.
4. Optional: Carlos Slim again? The new edition of Patrice Franko Chapter 1 mentions Carlos Slim and two young women from Honduras and El Salvador (Karla and Judith Yanira Viera). We look in on Karla in 2015 and 2016, her story and that of another Honduran immigrant are quite disturbing (not a happy ending). There is not footnote however for the Salvadorian factory worker Judith Yanira Viera (in Franko, 2018 Chapter 1). Fortunately we have the internet, so we find the description of Ms. Viera on a NACLA blog entry authored by Barbara Briggs and Charles Kernaghan dated September 25<sup>th</sup> 2007. Though it sounds like it, this is not the year Ms. Viera earns 750 colones a month (43 \$US). What is/was the exchange rate for the Colones in 2007, today and/or 1995? What happened to El Salvador's in 2001 and in 2002-2004? How do we know this NACLA article not referring to 2007 (even though its wording here and in Franko, 2018 suggests that it was?)

## References

A&R, 2013: Acemoglu, Daron, and James A. Robinson (2013) *Why nations fail: The origins of power, prosperity, and poverty*. Broadway Business (paperback edition).

Sachs, Jeffrey D (2012) "[Government, Geography, and Growth: The True Drivers of Economic Development.](#)" *Foreign Affairs* 91, no. 5: pages 142-150.

"Children and Families Fleeing Central America Deserve Access to Protection, Not Discrimination and Abuse," Karla's story, Wola VIMEO, [www.wola.org](http://www.wola.org). See [Migration enforcement in Mexico](#)

**Making Use of Online Interactive Diagrams in Presentations (aks MUOIDP)** problem: how do we make interactive diagrams legible w/o putting cursor on the point? Where do I find [the two letter ISO code](#) for my country?

### **LDQ 3.1 Week 2: Lecture Discussion and Review Questions** (sections in Italics EC)

LDQ 1.1 What is the only high income Latin American Economy? Why is the crisis in this country important to us (U.S.) right now? How much did FEMA spend cleaning up Hurricane Maria (so far)? Despite [FEMA "overwhelmed"](#) in 2017? Did Puerto Rico receive a net transfer from the U.S. last year (recall Naomi Klein says PR pays \$3.5 billion in taxes to the U.S. each year)

LDQ 1.2 What LatAm economy does Naomi Klein argue is a testing ground for neoliberal policies (and medications...including EPZs, privatization, corporate tax breaks and protectionist policies such as the Jones Act). What is the Jones Act? How does it make electricity dirty and expensive in a Solar paradise?

LDQ 1.3 Why is NYS suing the federal government for not helping Puerto Rico? What states sent and LatAm countries sent the most linemen to help PREPA restore power? (fix PREPA), why these states?

LDQ 1.4 Why is Puerto Rico's finance run by an unelected board? Draw an analogy to NY city (vs. Albany). Why can't NYC manage its own budget? (this leads to perennial conflicts between our Mayor and the governor of NYS). Again, why is it important to the rest of the United States that NYC not manage its own finances?

LDQ 1.5 Which Latino group has recently become important players in the political leadership of the Bronx, Manhattan and Queens? (hint: see the end of this calendar). What LatAm country vacillates between center right (one of our textbook authors) and Social Democratic leadership about every five years? What signal is Ms. Ocasio Cortez making with her arms? (see video image below).

LDQ-1.6 Why is Latin America's new middle class important economically and politically? Hint: Odebrecht and Table 1.2 in Beatriz Armendáriz, & Felipe Larraín (2017)..

LDQ 1.7 What is the problem with "Hypermigration" where is it a threat right now? Where is it getting better, where is it getting worse, what can be done to temper its impacts? Why does the Economist call it "hypermigration.?" (see Economist Newspaper Figure below) *Does or have Europe or Africa had "hypermigrations"? If yes, from what countries?*

LDQ-1.8 Which countries have the most gun deaths (according to a recent [PBS Newshour article](#)). Which countries have the highest rates of gun deaths? Does it make more sense to look at the total or the rate of gun deaths? Why?

*LDQ-1.9 Optional: In Narcos season three where does the Cali cartel launder its earnings? How does NAFTA play a role during this season? What might they do today (hint: what LA country uses the Petro as its currency, why?)*

### **Week 3 lectures and discussion (LD) Argentina, Chile and Brazil, the ABC countries. Which are also "Southern Cone" countries?**

LDQ 2.1 How did Argentina get into so much trouble? Does it "deserve" this crisis? What is attributable to bad luck, and what were policy mistakes? Sketch out the best scenario for the Macri government, what happens if the Macri government collapses?

LDQ 2.2 New York is home to many Puerto Rican and Dominicans including [Alexandria Ocasio Cortez](#) why is she crossing her arms on the late show? What would she and Cynthia Nixon do to help other immigrants living in New York State (and elsewhere)? Which states have taken some of these steps already?

**Finding our text tips:** (see the Syllabus for more information) during the past few weeks the prices of both books not already available online have fallen dramatically. You will need the main text in about 2 weeks, [Armendáriz, Beatriz & Felipe Larraín](#) *The Economics of Contemporary Latin America*. [MIT Press](#), ISBN [0262533154](#) \$30-\$40 (e-book [\\$21 MIT Press Digital rental](#)) you will need access to book by the 2<sup>nd</sup> week of class. We start by reading Chapter 6 (available on here or on blackboard) and Chapter 1 pages 1-15 (see the [MIT Press preview](#)). [Dealoz has a \\$5 promotion](#) ending 8/31 that gets the price down to about \$20 (best deal right now). Amazon is closer to \$30, MIT Press has the ebook to rent (I can't see how long) for \$18. Chapter 6 and Chapter 1 are already online (see Blackboard and the [MIT Press Preview](#)). The Puerto Rico book has fallen to \$6 in paper with a free e-book ([Direct from Haymarket](#), not sure about shipping, use [dealoz to avoid shipping](#)). Don't order the Klein book before coming to class.



Alexandra Orsini-Correa: 'Trump Isn't Ready For A Job' From The Bronx

The Job Show with Stephen Colbert

Michelle Bachelet Confirms Donald Trump Isn't Ready for His New Job (2:04 out of 3:34)

**Readings August 29<sup>th</sup>** Washington Post NAFTA story. During these two introductory lectures we will discuss Mexico, Nicaragua, Brazil, Bolivia, Puerto Rico and Venezuela (is Puerto Rico in Latin America?). What makes PR different that all other LatAm territories, economically and politically? What set off a recent racial bias incident involving a picnic table in Chicago park & restaurant in Manhattan. Michele Bachelet served two terms as President of Chile. She and [billionaire Sebastián Piñera](#) a right of center right leader rotated as President of Chile for the past 20 years, He is back in office as is his finance minister, coauthor of our text [Felipe Larraín Bascuñán](#)). Patricia Armendáriz is a [well known economist](#) and a pioneer in the study of microfinance (we use her coauthored text on MicroFinance in ECON 5808)

**'Pioneering' former Chilean President Michelle Bachelet officially appointed new UN human rights chief**



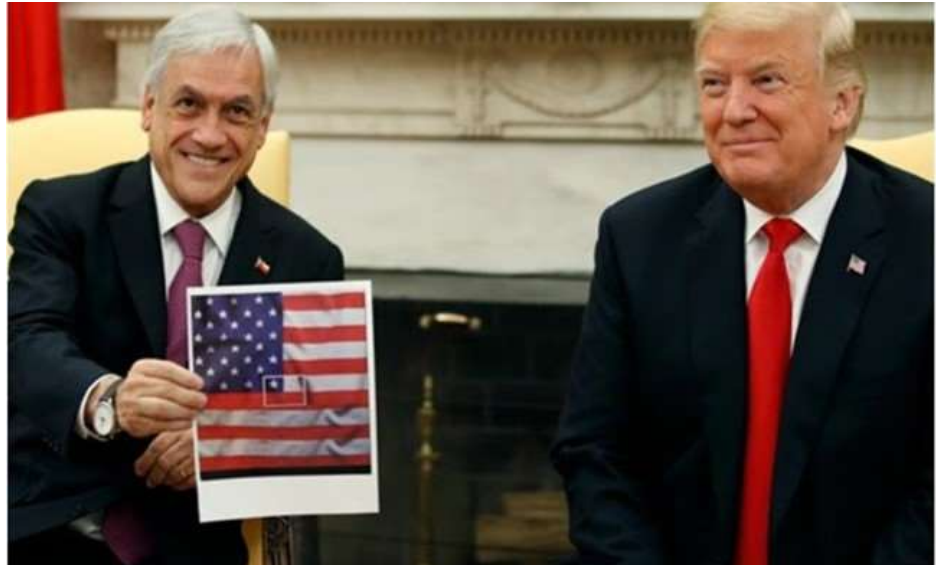
UN Photo/Jean-Marc Ferré Michelle Bachelet of Chile, newly-appointed as the next UN High Commissioner for Human Rights by Secretary-General António Guterres.

10 August 2018 | Human Rights



[Just Months Into His 2<sup>nd</sup> term President Pinera Stumbles by Max Radwin | Thurs, Oct. 4, 2018](#)

Last week, Chile's president, Sebastian Pinera, was at the White House for a meeting with President Donald Trump. During a photo-op in the oval office, Pinera held up a printout of the American flag. Outlining one white star and a pair of red and white stripes, he had managed to draw a smaller, Chilean flag inside of it.



“Chile is at the heart of the United States,” Pinera explained, with a smile. “And the best proof of this:

This is the American flag, and there is a Chilean flag right at the very heart of the US flag.”

It was supposed to be a *cute gesture of camaraderie* as the two leaders discussed more serious issues, like trade and the crisis in Venezuela. But Chileans back home were rolling their eyes. Pinera's printout only worked because the red and white stripes on the American flag had been flipped out of order. Critics were quick to let him know. “Who advises this president?” Tomas Hirsch, a deputy for the liberal Broad Front, asked on Twitter, tagging multiple members of Pinera's Cabinet. “Do something to stop this incontinence. Don't tell me you're not embarrassed.”... *Yes, perhaps this a fortuitous stumble? (hint: Swap lines, OECD and FCLs and Michelle...)* who else makes “cute gestures of camaraderie”? (hint: created his own party overnight, a different Latin language...)

### *Special events affecting Latin America Fall 2018 Latin America News and event watch*

*Climate disasters & Hurricane watch (Puerto Rico): Hurricane Florence may hit the U.S. near NC/SC border Thursday or Friday September 12<sup>th</sup> 2018. See #florence & [NPR](#) Why were there so many Hurricanes in 2017? Recall that on September 20<sup>th</sup> 2017 Hurricane Maria hit Puerto Rico plunging 3.4 million residents into darkness, estimates put fatalities at over 1000 people died, the last to have their power restored. Many thousands flew to the United States, mainly to Florida but also to New York and Houston. For better or worse, Puerto Rico had already entered a severe Debt crisis. Puerto Rico is both the most successful Latin American economy and the most like Greece: it is part of the United States but has its own currency. That said there Latin American countries use the dollar (Ecuador, Panama and El Salvador) and they have avoided a debt crisis like the one Puerto Rico is experiencing). What went wrong in Puerto Rico (before the Hurricanes) and what can be done to restore the Island to economic normalcy (now almost all have power is back on..).*

*Long term crisis/migration (Venezuela: For the past two years Venezuela is experiencing the largest income or GDP collapse (40%) and the highest inflation every recorded, hyperinflation is officially 50% a month or about 12,000 percent per year. The IMF expects Venezuelan inflation to reach one million % annually this year (with 100% inflation prices double, so do the math, these are huge price changes creating chaos and hardship it what was the wealthiest country in Latin America (see Figure W-2 below). Puerto Rico's hurricanes and Haiti's 2010 earthquakes were natural disasters, Venezuela's crisis is largely man made (though it may be related to the natural resource curse or the Dutch Disease...) Venezuela was among the first in the Americas to elect a charismatic populist President (Hugo Chavez who died in 2014).*

*Ongoing crisis in Argentina, how will it end? currency watch #3: Argentina is not Venezuela, but it is s Venezuelan inflation to reach one million % annually this year (with 100% inflation prices double, so do the math, these are huge price changes creating chaos and hardship it what was the wealthiest country in Latin*

*America (see Figure W-2 below).ral resource curse or the Dutch Disease...) Venezuela was among the first in the Americas to elect a charismatic populist President (Hugo Chavez who died in 2014).*

**Ongoing Crisis in Argentina #3** (continued) Argentina's currency still falling, today August 28<sup>th</sup> it closed at about 31 pesos per dollar, when I was in Buenos Aires last November the peso was stable at about 17 per dollar, that is almost a 100% deprecation (though inflation is running about 3% monthly or 40% annually... [check here for latest Figure](#) like this one... to stabilize the peso it needs to fall (a rise in the above diagram) reaching a very low rate and then appreciate by 10% of more, this overshooting process rewards those who bet on the peso against the dollar... the IMF has extended a \$50M credit line to Argentina, though they really need a swap line from with the U.S. or China (in U.S. dollars so easiest for the NY Federal Reserve bank who did this in 2008 for Mexico, Colombia, Korea and Brazil... a swap line is temporary agreement to trade \$US dollars for Argentine pesos at a pre-arranged rate and with zero or very low interest rate...

Populism?: Dani Rodrik 2018 NYT OpEd [What does True Populism look like?](#) The New Deal

**Corruption?:** *Brazil's [Odebrecht construction group](#) is Latin America's largest construction company operating throughout South America. It has been involved in a series of scandals involving bribes paid to public officials in Brazil, Colombia, Mexico, Peru and Venezuela.*

*Source and updates see [Lustig, Nora Barcelona Presentation 2017](#)*

Data resources: 10 years of pesos per dollar exchange rate diagrams

**Argentina** <http://www.xe.com/currencycharts/?from=USD&to=ARS&view=10Y>

**Venezuela** <http://www.xe.com/currencycharts/?from=USD&to=VEF&view=10Y>

**Chile:** <http://www.xe.com/currencycharts/?from=USD&to=CLP&view=10Y>

**Colombia** <http://www.xe.com/currencycharts/?from=USD&to=COP&view=10Y>

**Dominican Rep** <http://www.xe.com/currencycharts/?from=USD&to=DOP&view=10Y>

**Bangladesh** <http://www.xe.com/currencycharts/?from=USD&to=BDT&view=10Y>

**Bolivia** <http://www.xe.com/currencycharts/?from=USD&to=BDT&view=10Y>

**Vietnam** <http://www.xe.com/currencycharts/?from=USD&to=VND&view=10Y>

**Peru** <http://www.xe.com/currencycharts/?from=USD&to=PEN&view=10Y>

**Mexico** <https://www.xe.com/currencycharts/?from=USD&to=MXN&view=2Y>

**Brazil** <https://www.xe.com/currencycharts/?from=USD&to=BRL&view=1W>

**Turkey** <https://www.xe.com/currencycharts/?from=USD&to=TRY&view=1M>

The Brazilian Real was falling but has appreciated during the last week (it was falling in sympathy with Turkey's Lira which has come back from historic lows in mid-August). The Colombian peso has been appreciating, why? Is this good news? The Mexican peso reached an all time low after the U.S. election, but appreciated when Amlo was elected and today when the NAFTA news came out.

and on gender see Ana Maria Goldani, 1999 Racial [Inequality in the lives of Brazilian Women](#) [missing pages only 184-85, 187-88, 190 and pages 192-93](#)

Preview of Patrice Franko 4<sup>th</sup> Edition [Chapter 1 and Contents](#) [Chapter 10 \(Poverty\)](#)

[http://www.gdsnet.org/Econ3235\\_PWT71\\_PCY2PeerGroupsLatAMPuertoRicoCuba.xls](http://www.gdsnet.org/Econ3235_PWT71_PCY2PeerGroupsLatAMPuertoRicoCuba.xls)

**Bolivia and Central America (note Nicaragua) what are 1980 peers?**

Source: <http://www.gdsnet.org/WBRemittancesShareofGDP2016.xlsx>

Source: [USDARealAnnualExchangeRatesAugust2017Update.xlsx](#)

<http://www.inflacionverdadera.com/venezuela/>

## USD to ARS Chart

Send Money Now

8 Oct 2018 01:00 UTC - 15 Oct 2018 01:58 UTC **USD/ARS** close: **36.69469** low: **36.06096**  
high: **37.95732**



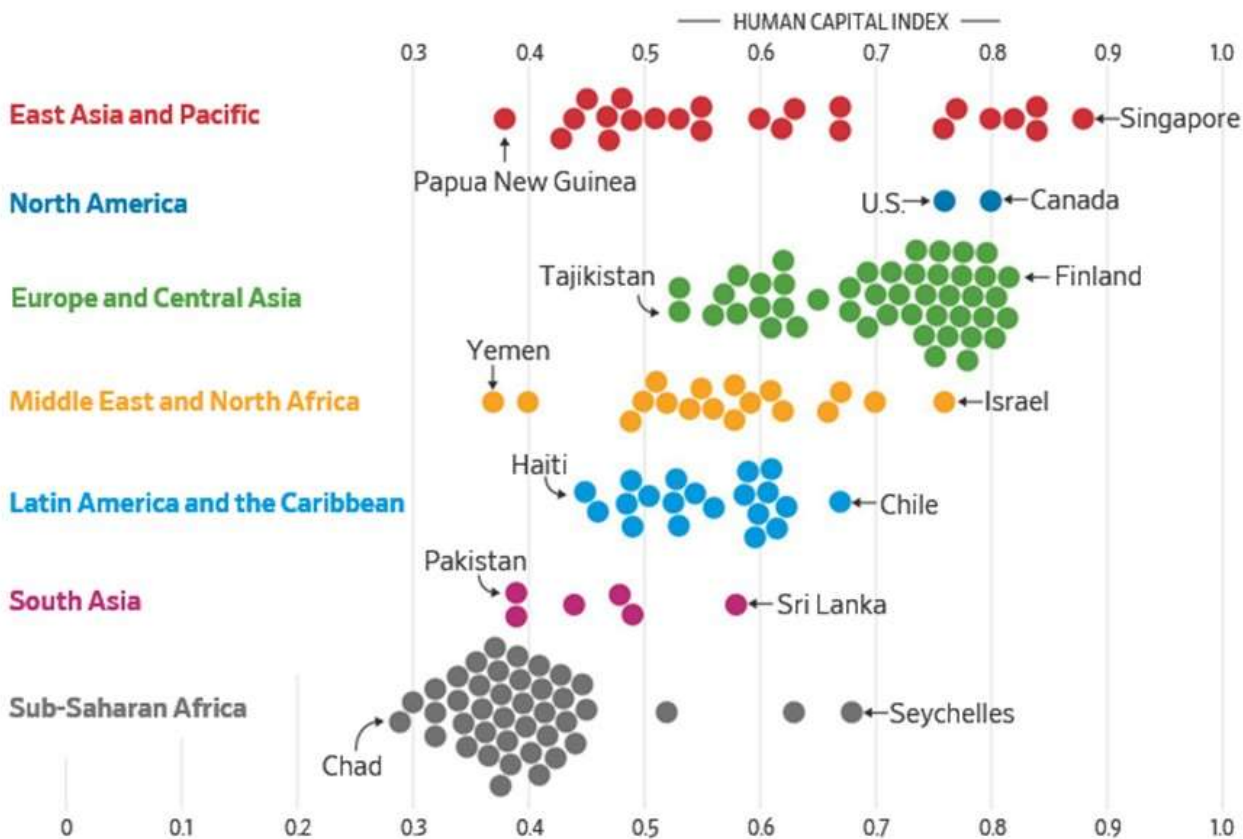
<https://www.wsj.com/articles/world-bank-aims-to-shame-with-human-capital-ranking-1539267790?mod=searchresults&page=1&pos=1>

[WB HUMAN CAPITAL INDEX](#) [http://www.worldbank.org/en/publication/human-capital?mod=article\\_inline](http://www.worldbank.org/en/publication/human-capital?mod=article_inline)



## Best and Brightest

The World Bank's new Human Capital Index ranks countries on their health and education outcomes, highlighting broad disparities across regions.



Note: Scores are on a scale of 0 to 1 and are based on how many children survive to school age and to adulthood, without stunted growth, and how much they learn in school.

Source: World Bank

At the top of the ranking of countries are four Asian economies: Singapore, South Korea, Japan and Hong Kong. The U.S. ranks 24th.