**GUANGDONG UNIVERSITY OF FOREIGN STUDIES**

**MASTER OF BUSINESS ADMINISTRATION (MBA)**

**Macroeconomic Policies in Latin America and the Resource Curse**

**June, 2014**

*Professor*: Luis David Chancí Arango

*E-mail*: [***luischanci@santotomas.cl***](mailto:luischanci@santotomas.cl) (Please, use [MBA-GDUFS] in subject of email)

*Website:****https://sites.google.com/site/davidchanci***

*Website for this course:*[***https://sites.google.com/site/davidchanci/home/teaching/macro\_gdufs***](https://sites.google.com/site/davidchanci/home/teaching/macro_gdufs)

**1. Course Description:**

The close and growing relationship between China and Latin America has prompted a discussion of the advantages and disadvantages that this relationship has had for the Latin American countries. On one hand, China becoming a member of the World Trade Organization (WTO), together with its high demand for raw materials, has boosted the price of commodities. This means an increase in the earnings from exports. On the other hand, Latin America imports cheap manufactured goods from China, as substitutes for domestic production, and its export dependence on raw material has focused attention on an important economic and political issue: *“The Natural Resource Curse”*, an idea related to the combination of an abundance of natural resources and low economic growth.

The manner in which policymakers in Latin American countries have faced this challenge has had an impact on the design of public policies and therefore an effect on the way that firms can conduct their business. Thus, acquiring a better understanding of the economic relationship with China, the effect of commodity prices and the idea of the Resource Curse, is important when developing new business with the region.

In this three day course we are going to review some of the Latin American macroeconomic policies that have helped to take advantage of this boom in commodity prices while achieving sustainable economic growth. At the same time, we are going to discuss the extent to which some channels have led to sub-standard economic performance.

On completion of this course, students should be able to **understand**:

* Some macroeconomic policies in Latin America.
* The idea of the *“Natural Resource Curse”* in the context of Latin America.
* The fiscal rule in Chile.
* Chilean Export performance in terms of export diversification.

**2. Prerequisites:**

In order to take advantage of this course it would be best if students have successfully completed some economic courses such as macroeconomics and international economics. However, lectures will be conducted in an understandable manner for those that have not previouslyattended any economic course.

**3. Grades / Grading:**

The students will receive a short examination after each lecture and one final task in groups. More information related to the work in groups will be posted on the web.

**4. Additional Information:**

All handouts, assignments and presentations will be posted on the course website ([***https://sites.google.com/site/davidchanci/home/teaching/macro\_gdufs***](https://sites.google.com/site/davidchanci/home/teaching/macro_gdufs)). It is possible that some announcements will be posted on the webpage. Therefore, please check the website regularly, at least once a day during the course.

**5. Course Schedule**

The material that will be covered is summarized below.

Basic references are marked with (\*).

Complementary references are marked with (\*\*).

**Day I: Latin American Macroeconomics: Past and Current issues**

1. Short review of the culture in Latin America: Customs and Folklore
2. Political and Economic Issues
3. Macroeconomic Issues

(\*) [8], [3]

(\*\*) [4]

**Day II: Latin America and the Resource Curse**

1. The Natural Resource Curse
2. Reviewing the Resource Curse in Latin America

(\*) [9], [6], [12]

(\*\*) [10]

**Day III: Latin America and the Resource Curse: Export Diversification.**

1. Export Diversification: Chile and China
2. The Fiscal Rule in Chile

(\*) [1], [2], [5], [7]

(\*\*) [11]

**References**

[1] Agosin, M. (2009), *‘Export diversification and growth in emerging economies,’*Cepal Review, 97, 115-131.

[2] Agosin, M. and D. Chancí. (*Forthcoming*), *‘Export Diversification in Latin America Countries*,’.

[3] Edwards, S. (2010), ‘*Left Behind: Latin America and the False Promise of Populism,’* Chicago press.

[4] Ffrench-Davis R. (2010),*‘Economic Reforms in Chile: From Dictatorship to Democracy (Development and Inequality in the Market Economy)*,’ 2nd Ed. Palgrave Macmillan.

[5] Frankel, J., Vegh, C. and Vuletin, G. (2013) *‘On graduation from fiscal procyclicality,’* Journal of Development Economics vol 100, nº1, pp 32-47.

[6] Lederman, D. and Maloney, W. (2007). ‘*Natural Resources, Neither Curse nor Destiny,’* Stanford University Press and the World Bank

[7] Marcel, Mario (2013) *‘The Structural Balance Rule in Chile: Ten Years, Ten Lessons,*’ Inter-American Development Bank

[8] Reyes, J. and C. Sawyer (2011),‘*Latin American Economic Development,’* Routledge.

[9] Sachs, J.and Warner, A. (1995),‘Natural resource abundance and economic growth Development,’ Discussion Papernº 517A, Cambridge (MA), Harvard Institute for International Development.

[10] Sachs, Jeffrey D y Warner, Andrew M (1999),*‘The Big Push, Natural Resource Booms and Growth*,’ Journal of Development Economics Vol. 59. 43–76

[11]Schmidt-Hebbel, K. (2012), *‘*[*Fiscal Policy for Commodity Exporting Countries: Chile's Experience*](http://ideas.repec.org/p/ioe/doctra/415.html)*,*’ [Documentos de Trabajo](http://ideas.repec.org/s/ioe/doctra.html) nº 415, Instituto de Economia Pontificia Universidad Católica de Chile.

[12] Stijns, Jean-Phillpe C. (2005),*‘Natural resource abundance and economic growth revisited*,’ Resources Policy vol. 30, nº 2, pp. 107-130