ECON 4311 − Economy of Latin America
Lecture 1A: Introduction

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Outline

Who is your instructor?

▶ Luis Pérez

- **Email**: perez766@umn.edu.

- 6th-year Economics PhD student.

- Instructor of:

    ▶ Economy of Latin America.

    ▶ Economic Growth (KTH, graduate level).

    ▶ Macroeconomics for Business (KTH, graduate level).

- . . .

Who are you?

▶ Introduce yourself in the Canvas discussion section

- Name

- Year in school

- Major/minor

- Goals and interest (professional or not)

- Any curisioty or fun fact about you

Course Structure

▶ This course will consist of:

- 13 Lectures (including group presentations and review sessions)
- 4 Assignments
- 1 Group Project
- 2 Exams: Midterm (February 26), and Final (TBD, May 6 most likely).

▶ **Texbook**: Reyes, J. A., and Sawyer, W. C. (2020). *Latin American Economic Development* (Third edition). Routledge, New York.

▶ Specific instructions for assignments and group projects can be found on the Canvas' course site. *Read them carefully!*

Grading

▶ Each course component or its pieces will be graded in scale 0–100.

▶ Course components and its weight on final grade:

- Assignments: 20%.

- Group project: 15%.

- Midterm: 30%.

- Final exam: 35%.

▶ Final grade will be a weighted average of each course component

▶ BONUS POINTS: I will add from 0 to 5 bonus points to final grade, depending on your class participation.

Office Hours

▶ **Dates and Time**: Mondays, 8am–10am.

▶ **Book your appointment using**: https://shorturl.at/grVZ9

- Slots of 20 minutes (max 1 per person/day).

- Additional office hours for midterm and final exams.

- **Mandatory for groups to attend OHs 1 week prior to presentation with full set of slides.**

▶ **Via Zoom**:

- Zoom ID: 337 402 6851.

- Zoom URL: https://umn.zoom.us/j/3374026851.

Other Information

▶ You can find more detailed information on grading and course requirements in the syllabus.

▶ **Check the syllabus frequently**: it will be updated!

▶ Also in the syllabus:

- Detailed course schedule.

- Course objectives and prerequisites.

- Registration, withdrawal, and other technical issues.

- Academic services and resources for students at UMN.

- 2024 Procedures and policies.

Why study the economy of Latin America?

▶ **Some plausible answers**:

- I need credits and all other classes were full.

- My friends are also taking this class.

- I visited the region, loved its diversity, and want to know more.

- I am interested in Economic Development.

▶ **An answer with more economic content**:

- I'd like to know why a resource-rich region has historically been subject to poor economic conditions and afflicted by many debt crises.

The Region

Latin America has 4 subregions: North America (NA), Central America (CA), Caribbean (C), and South America (SA).

Some Facts

▶ **Migration**:

- Brazil hosts the biggest Japanese community outside of Japan.

▶ **Religion**:

- Most Latin Americans are Christians (90%), mainly Catholics.

- Most religious countries are Paraguay, Bolivia, Peru, and Ecuador.

- Less religious countries are: Uruguay and Cuba, with over 40% of population unaffiliated to any religion.

- Catholic share of population by region (*Pew Research Center*, 2014):
  1. Latin America: 72%.
  2. Europe: 35%.
  3. North America: 26%.
  4. Sub-Saharan Africa: 21%.
  5. Asia–Pacific: 3%.
  6. Middle East – North Africa: 2%.

Some Facts

▶ **Crime**:

- Outside of active war zones, LatAm is the world's most violent region.
  - ▶ The WSJ referred to LatAm as "the murder capital of the world".

Region	Victims of intentional homicide (per 100,000 population)
Americas	17.2
Africa	13.0
World	6.1
Europe	3.0
Oceania	2.8
Asia	2.3

Data. UNODC, 2017.

Some Facts

▶ **Crime**:

- 7 LatAm countries make it to the top 20 of countries with highest homicides per 100,000 individuals, with El Salvador leading the ranking.

Country	Victims of intentional homicide
	(per 100,000 population)
1. El Salvador	52.02
5. Honduras	38.93
7. Venezuela	36.69
13. Mexico	29.07
15. Brazil	27.38
17. Colombia	25.34
18. Guatemala	22.50

Data. UNODC, 2018.

Some Facts

▶ **Sports**:

- 2 LatAm countries in the top 10 FIFA soccer ranking (Jan 22, 2024):
  - ▶ Argentina (1st)
  - ▶ Brazil (5th)
  - ▶ Uruguay (11th)
- 9 (out of 21) FIFA World Cup titles:
  - ▶ Brazil: 5
  - ▶ Argentina: 3 (including the new addition)
  - ▶ Uruguay: 2
- Some Latin Americans would be pissed with these statements about FIFA World Cups. Can you guess who?

Some Facts

▶ **Sports**:

- Olympic Games Tokyo 2020. Three countries in the top 40:

    ▶ Brazil (12th): 7G, 6S, 8B.

    ▶ Cuba (14th): 7G, 3S, 5B.

    ▶ Ecuador (38th): 2G, 1S, 0B.

- Surfing. Some claim that surfing originated in Peru, not Hawaii!

    ▶ Archeological evidence (pottery) from over 2000 years ago

    ▶ Surfing for fishing (and also for fun!)

    ▶ Google "*caballito de totora*" to learn more!

Some Facts

Following Columbus' arrival to the Americas, the Spaniards brought in and out many things to/from the Americas.

▶ **New to the Americas**:
  - Foods and plants: sugar, rice, ginger, almonds, . . .
  - Animals: cattle, pigs, horses, . . .

▶ **New to the world**:
  - Foods and plants: tomatoes, potatoes, avocados, pineapple, cacao, chocolate, tobacco, . . .
  - Today, 70% of the world's cacao is grown in West Africa
  - Chocolate as we know it today was transformed in Europe (sweetened, powdered, and served in bar)

  If interested, you can read about "*The Columbian Exchange*"

Some Facts

- **Literature**:

  - A few Nobel laureates (6!)

  - My favorites: Gabriel García Marquez and Mario Vargas Llosa.

  - I recently read "Conversación en la Catedral".
    Can you guess who wrote it? And what is it about?

- **Food**:

  - I bet you know Mexican tacos. . .

  - . . . But have you had an Argentinian/Uruguayan asado?

  - . . . and Brazilian Açai bowls? Cachaças?

  - LatAm is home to 2 of the best world cuisines: Mexican and Peruvian.

Socioeconomic Landscape

Latin America is the portion of the Americas comprising countries where Spanish and Portuguese are predominantly spoken. These are 20 countries.

List of countries

► **Region of great diversity**

- Two blocks according to language:

  ► Portuguese-speaking: Brazil ($\approx$ 32% of LA's population).

  ► Spanish-speaking: Rest of Latin America.

  + Many indigenous languages (qechua, guaraní,. . .)

- Many ethnic groups: Amerindians, Asians, Blacks, Creoles & Garifunas, Mestizos, Mulattoes, Whites.

Ethnicities in Latin America

Socioeconomic Landscape

▶ **Territory**. 14% of the world's mass ($\approx$ 7.8M of sq. miles).

  - About 2 times the size of the US.

▶ **Population**. $\approx$ 9% of the world's population (+650M people).

▶ **Population density**. 80 persons per sq. mile.

  - Low population density compared to other places in the world.

  - There are exceptions: Puerto Rico (888 persons/sq. mile in 2018; 38th in ranking) and El Salvador (790 persons/sq. mile; 44th).

  - Sao Paolo and Mexico City today rank as the 4th and 5th most populated cities in the world.

Socioeconomic Landscape

▶ **Natural Resources**. A lot of countries are rich in natural resources:

- Venezula and Mexico have many oil reserves.

- Argentina, Brazil, and Peru have tons of rich agricultural land.

- Bolivia is rich in zinc.

. . . although countries in Central America are poor in these.

▶ **Climate**.

- Rainforest

- Savanna

- Dessert abd dessert-like

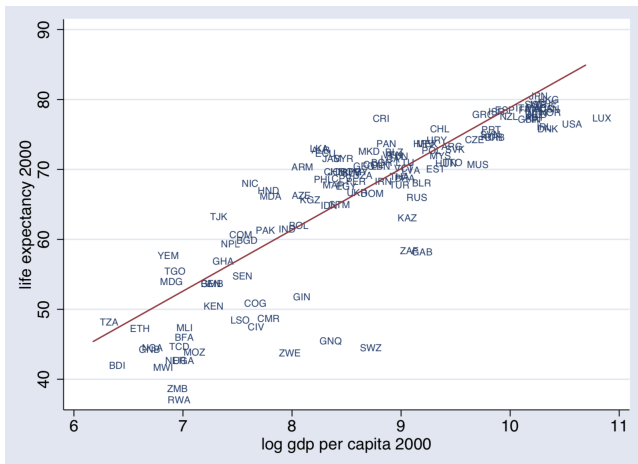- Grassland

Latin America and the World: GDP per capita

The average Latin American country is a bit poorer than the average country in the world, but substantially richer than average low- and medium-income countries.

Region	GDP per capita (2017 USD)
Latin America	9,271.6
Low-income countries	787.7
Medium-income countries	5,182.8
High-income countries	41,352.4
World	10,748.7

Data from Table 1.1 in course textbook.

Why GDP per capita?

▶ Also a measure of economic development; it (highly) correlates with
  measures of quality of life, e.g. life expectancy, infant mortality, etc.

Economic Development

▶ Some regions in Latin America are much more developed than others:

- "Southern Cone": Argentina, Chile, Uruguay, and the south of Brazil.
- "Northern Triangle": El Salvador, Guatemala, Honduras.

Country	GDP pc (2019 USD)	Literacy rate (+15, % in 2018)	Urban Population (% in 2018)	Infant mortality (<5, % in 2019)
Argentina	14,398.4	99.1	91.87	9.26
Brazil	9,812.3	92.0	86.57	13.94
Chile	15,346.4	96.9	87.56	6.97
Colombia	6,408.9	94.7	80.78	13.75
El Salvador	3,889.3	88.5	72.02	13.29
Guatemala	4,471	81.3	51.05	24.52
Honduras	2,480.1	89.0	57.10	16.81
Mexico	8,910.3	94.9	80.16	14.17
Uruguay	16,245.6	98.6	95.33	7.06

Data from the World Bank and United Nations.

Economic Development

▶ The Human Development Index (HDI) was constructed by the United Nations to evaluate welfare in different countries.

- Three equally-weighted components: GDP per capita, life expectancy at birth, and education (literacy, ratios of students to population).
- Index normalized to 0–1.

Country	HDI (2019)
1. Norway	0.957
17. United States	0.926
43. Chile	0.851
46. Argentina	0.845
55. Uruguay	0.817
57. Panama	0.815
62. Costa Rica	0.810

International Trade

▶ International trade has always been important in Latin America...

▶ ...but the average Latin American country is still less open to trade than the average country in the world.

Country	Exports, X (2017 USD billions)	Imports, M (2017 USD billions)	Trade openness $(X + M)/GDP$
Latin America	1,283.0	1289.2	0.44
High income	16,083.2	15,436.1	0.61
Middle income	6,761.8	6,637.2	0.49
Low income	115.5	192.0	0.57
World	22,972.6	22,258.9	0.58

From Table 1.3, course textbook.

Capital Flows

▶ Like trade flows, capital can flow either into (inflows) or out (outflows) of a country.

▶ Historically, these flows have been both a blessing and a curse.

▶ **Types of capital flows**:

  • **Portfolio capital**. Money that crosses borders to buy financial assets such as stocks, bonds, . . .

  • **Foreign direct investment (FDI)**. Purchases of real assets (e.g., production facilities) in a foreign country.

Country	FDI
	(% of the world in 2017)
Latin America	12.10
High-income countries	72.44
Middle-income countries	26.78
Low income	0.78

What Lies Ahead

2. Brief economic history of Latin America.

3. Institutions and Economic Growth.

4. Primary commodities.

5. Import substitution.

6. Trade policy.

7. . . . and much more!

Same Question, Again!

Now that you know more about the region, let me ask you again:

Why study the economy of Latin America?

Same Question, Again!

Now that you know more about the region, let me ask you again:

Why study the economy of Latin America?

What an economist would answer:

Same Question, Again!

Now that you know more about the region, let me ask you again:

Why study the economy of Latin America?

What an economist would answer:

▶ Relevant part of the world.

▶ Many interesting economic episodes throughout history.

▶ It is an ideal laboratory to:

  • Develop and test economic theories.

Thank You!

Extra Slides

Latin American Countries

Latin American countries, by subregion:

▶ **North America**: Mexico.

▶ **Central America**: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

▶ **Caribbean**: Cuba, Dominican Republic, Puerto Rico*.

▶ **South America**: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela.

*Technically speaking, Puerto Rico is an unincorporated (self-governing) U.S. Territory.

Back

Ethnicities in Latin America

Ethnicities in Latin America as a share of total population in the region in 2014 (*data from the US Census Bureau International Database*):   Back

- ▶ **Whites** (36.1%): People of European descent.
- ▶ **Mestizos** (30.3%): Intermixing between Europeans and Amerindians.
- ▶ **Mulattoes** (20.3%): People of mixed African and European ancestry.
- ▶ **Amerindians** (9.2%): The indigenous population of Latin America.
- ▶ **Blacks** (3.2%): People of African descent.
- ▶ **Asians** (0.7%): People of Asian descent.
- ▶ **Creoles & Garifunas** (0.2%).
  - *Creoles*: racial mixing mainly involving West Africans and people born in French/Spanish colonies.
  - *Garifunas*: racial mixing between Africans and indigenous people.