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RESTRICTED

LC/R. 1503  
6 March 1995

ORIGINAL: ENGLISH

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**E C L A C**

**Economic Commission for Latin America and the Caribbean**

**STRUCTURAL ADJUSTMENT IN LATIN AMERICA \*/**  
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## INTRODUCTION

The course will describe and analyze the neo-conservative swing in development strategy which has taken place in the last 10 years in Latin America: from an inward to an outward orientation; from strong government intervention to virtually free, unregulated markets; and from the state playing the leading role in promoting development to a private sector led growth strategy. The course will analyze the impact of structural adjustment policies (both in the long as well as in the short run) on productivity at the plant level (the first week) and on competitiveness at the national level (the second week) as well as the macroeconomic preconditions and other structural reforms necessary for speeding successful adjustment at the lowest cost in terms of output and employment (the third week). Throughout emphasis will be placed on presenting not only an evaluation of the neo-conservative policies now in vogue but in alternative policies (of a neo-structural bent) to bring about structural adjustment at a lower short run cost and at a faster long term pace.

### I. THE MICROECONOMICS OF STRUCTURAL ADJUSTMENT

Theme: the microeconomic impact of import substitution industrialization as well as of trade liberalization in Latin America.

- Session 1: The firm in a neoclassical framework and other ways of approaching the study of its nature and behaviour. Learning and technology. 'Growth accounting'. Market failure in the field of knowledge and information.
- Session 2: Import substitution industrialization and technological change. The transfer of technology and the development of domestic technological capabilities in peripheral societies.
- Session 3: The limits of the import substitution model. Trade liberalization, de-regulation of markets and the privatization of economic activity. Efficiency and welfare implications. The transition from electromechanics to electronics and the evolution of the international technological frontier. Changes in dynamic comparative advantages.
- Session 4: Industrial organization and sectorial studies. The cases of the biotechnology and pharmaceutical industries. Scale and scope economies. The economics of innovation. Learning by doing and international competitiveness. Patents, the recent debate at the Uruguay Round of GATT. New institutions and their likely impact upon the Cuban economy.

## BIBLIOGRAPHY

## Session 1:

*The firm in a neoclassical framework and otherways of approaching the study of its nature and behaviour. Learning and technology. "Growth accounting". Market failure in the field of knowledge and information.*

It is advisable for students attending the course to refresh ordinary micro theory readings such as C. E. Ferguson, Teoría microeconómica, chapters 15 and 16; A. Koutsoyiannis, Modern Microeconomics, New York, St. Martin, 1981, chapters 15 to 18.

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*Import substitution industrialization and technological change. The transfer of technology and the development of domestic technological capabilities in peripheral societies.*

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**Session 3:**

*The limits of the import substitution model. Trade liberalization, de-regulation of markets and the privatization of economic activity. Efficiency and welfare implications. The transition from electromechanics to electronics and the evolution of the international technological frontier. Changes in dynamic comparative advantages.*

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*Industrial organization and sectorial studies. The cases of the bio-technology and pharmaceutical industries. Scale and scope economies. The economics of innovation. Learning by doing and international competitiveness. Patents, the recent debate at the Uruguay Round of GATT. New institutions and their likely impact upon the Cuban economy*

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**II. STRUCTURAL ADJUSTMENT AND INTERNATIONAL COMPETITIVENESS**

Theme: how the Latin American countries have attempted to improve their international competitiveness in a changing world, with emphasis on trade and foreign investment.

Session 1: Introduction to international competitiveness.

Session 2: International trade.

Session 3: Foreign direct investment and technology.

Session 4: Case studies.

Session 5: Summary and final exam.



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### Session 1:

#### *Introduction to international competitiveness*

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Technological Development Unit, Division of Production, Productivity and Management, November, preliminary version.

### III. NEO-CONSERVATISM VS. NEO-STRUCTURALISM

**Theme:** A Comparison of neo-conservative and neo-structural approaches for establishing the macroeconomic preconditions as well as the key structural reforms necessary for accelerating growth.

- Session 1: a) The intellectual and empirical origins and basic approach of neo-conservatism: an overview  
 b) The Macroeconomics of Neo-conservatism (I) and its Neo-Structural Alternative: Adjustment to External Disequilibrium
- Session 2: The macroeconomics of neo-conservatism (II) and its neo-structural alternative: price stabilization policies (with emphasis on repressed inflation)
- Session 3: Trade liberalization: justification, policies and evaluation
- Session 4: Institutional reforms: privatization, financial liberalization and social security
- Session 5: An evaluation of neo-liberal and neo-conservative development strategies.

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*Trade liberalization: justification, policies and evaluation*

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*Institutional reforms: privatization, financial liberalization  
and social security*

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