

Economic Development in Latin American

University of California, Riverside
Economics 185

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Office Hours:
Tue. & Thur. 11-12:15pm
and by appointment

Course Description:

This course provides a survey of the most important economic issues in Latin America in the 20th century. Topics include historical legacies, the theory and practice of import substitution industrialization, the debt crisis, stabilization and structural adjustment, the persistence of poverty and inequality, and land reform. The course places current problems in an historical perspective and uses applied economic analysis to understand the choices as well as the constraints that Latin American policy makers face. This course is complemented by Econ 187 which focuses on contemporary public policy challenges in the region. This year the course will focus on inequality.

Requirements and Grading:

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| • Daily clicker questions based on assigned readings | 10% |
| • Section attendance (5%) and presentation (5%) | 10% |
| • One 5 page paper (to be done in groups of 2, due on Dec. 3) | 20% |
| • Mid-term exam (tentatively scheduled for Nov. 5) | 25% |
| • Final exam (cumulative) | 35% |

Readings: Students are expected to read one chapter or article per class, and to come to class prepared to discuss the material.

Daily “clicker” questions: At the beginning of each class, I will ask several multiple choice questions related to the assigned reading for that day. Students must arrive on time. Your two lowest scores will be dropped. Exceptions will not be made.

Paper (to be done in pairs): The paper will address inequality in a country of your choosing. It should review the evidence on determinants and evolution, and make an argument for how policy could contribute to a reduction in inequality. Topics must be approved in advance.

Discussion section: I will run a discussion section so that we can have an opportunity to discuss the material. I will not lecture. Student presentations will sometimes be made. Attendance is required, and you must bring a typed question with your name and student I.D. to each class.

Exams: The mid-term exam is tentatively scheduled for November 5 (Tue. of week 6). The final exam will be cumulative, and will be held on December 11 at 8am.

Laptops and cells phones: My experience is that students overestimate their ability to multi-task, e.g. surf the net and pay attention in class. For this reason I will enforce the following policy: No laptops, cells phones, or texting in class.

Academic Honesty: We will discuss appropriate ways for referencing the material used to write the paper. Any student found committing plagiarism, not handing in original work of his/her own, or cheating in any way, will be given an F in the course and will be subject to disciplinary action by the University.

Textbook: Franko, Patrice, *The Puzzle of Latin American Development*, Lanham: Rowman and Littlefield Publishers, 3rd ed., 2007.

Useful references:

- Baer, Werner, *The Brazilian Economy: Growth and Development*, 6th ed., Boulder: Lynne Rienner Publishers, 2008.
- Cardoso, Eliana, and Ann Helwege, *Latin America's Economy: Diversity, Trends, and Conflicts*, Cambridge: MIT Press, 1992.
- Costin, Harry, and Hector Vanolli (eds.), *Economic Reform in Latin America*, Orlando: The Dryden Press, 1998.
- Edwards, Sebastian, *Crisis and Reform in Latin America: From Despair to Hope*, New York: Oxford University Press, 1995.
- Frankema, Ewout, *Has Latin America Always Been Unequal: A Comparative Study of Asset and Income Inequality in the Long Twentieth Century*, Leiden: Brill, 2009.
- Thorp, Rosemary, *Progress, Poverty and Exclusion: An Economic History of Latin America in the 20th Century*, Washington, D.C.: Inter-American Development Bank, 1998.

Schedule of Topics

1. Introduction: Latin America and Economic Development
 - a) *Setting the Stage*
 - b) *Economic Development: Meaning and Measurement*
2. Alternative Explanations for Divergent Paths of Development
3. The Historical Legacy
 - a) *The Colonial Period and the Early 20th Century in Brief*
 - b) *Has Latin America Always Been Unequal?: Part 1*
4. Import Substitution Industrialization
5. The Debt Crisis
6. Stabilization and Structural Adjustment
7. Has Latin America Always Been Unequal?: Part 2
 - a) *Inequality Trends in the 20th Century*
 - b) *The Recent Decline in Inequality in Latin America*
8. The Persistence of Poverty and the Recent Decline
 - a) *Poverty*
 - b) *Anti-Poverty Policies*
9. Rural Poverty, Rural Development, and Land Reform in the 20th Century
10. Reflections on a Century of Economic Development

Course Outline and Reading List

1. Introduction: Latin America and Economic Development

a) *Setting the Stage*

- *Franko, "Development in Latin America: Conceptualizing Economic Change in the Region," Chapter 1.
- Bulmer-Thomas, V., "Latin American Economic Development: An Overview," Chapter 1 in Costin and Vanolli.
- Thorp, "Growth and Quality of Life over the Century," Chapter 2.
- Cárdenas, Mauricio, and Steven Helfand, "Latin American Economic Development," in the *New Palgrave Dictionary of Economics On-Line*, 2011, <http://dictionaryofeconomics.com/>

b) *Economic Development: Meaning and Measurement*

- *United Nations, *Human Development Report 1990*. Read overview and chapter 1, pp. 1-16.
- Gillis, et al., "Development and Human Welfare," Chapter 4, in Gillis, Malcolm, D. Perkins, M. Roemer, and D. Snodgrass, *Economics of Development*, 4th ed., New York: W. W. Norton, 1996.
- Wilber, Charles K., and Kenneth P. Jameson, "Paradigms of Economic Development and Beyond," in *The Political Economy of Development and Underdevelopment*, edited by Charles K. Wilber, 3rd ed., New York: Random House, 1984.
- United Nations Development Program, *Human Development Reports* (various years): <http://hdr.undp.org/en/reports/>
- World Bank, World Development Indicators: <http://data.worldbank.org/>

2. Alternative Explanations for Divergent Paths of Development

- *Sokoloff, Kenneth L. and Stanley L. Engerman, "Institutions, Factor Endowments, and Paths of Development in the New World," *Journal of Economic Perspectives*, Vol. 14, No. 3, Summer 2000, pp. 217-232.
- *Robinson, James A., "The Latin American Equilibrium," Chapter 7 in Fukuyama, Francis (editor), *Falling Behind: Explaining the Development Gap between Latin America and the United States*, New York: Oxford University Press, 2008.
- Bértola, Luis, "Institutions and the Historical Roots of Latin American Divergence," mimeo later published in *The Oxford Handbook of Latin American Economics*, edited by Ocampo, J.A. and J. Ros, New York: Oxford University Press, 2011.

3. The Historical Legacy

a) *The Colonial Period and the Early 20th Century in Brief*

- *Franko, "Historical Legacies: Patterns of Unequal and Unstable Growth," Chapter 2.
- Cardoso & Helwege, "Historical Roots," Chapter 2.
- Baer (2008), "The Colonial Period and the Nineteenth Century," Chapter 2.
- Coatsworth, John H., "Economic and Institutional Trajectories in Nineteenth-Century Latin America," in Coatsworth, John H. and Alan M. Taylor (eds.), *Latin America and the World Economy Since 1800*, Cambridge: Harvard University Press/DRCLAS, 1998.
- Deitz, James L., "A Brief Economic History," Chapter 1 in Dietz (ed.).
- Thorp, "The Early 20th Century: Capital Exports and Institutions," and "Dislocation and Experiment: 1914-45," Chapters 3 and 4.

b) Has Latin America always been Unequal: Part 1

Frankema, E. (2009), "The Institutionalization of Inequality in Colonial Latin America," Chpt. 2.

*Frankema, E. (2009), "The Omnipresence of Land Inequality in Post-Colonial Latin America," Chpt. 3.

*Frankema, E. (2009), "The Advance of Mass Education: Quantity or Quality?," Chpt. 4.

4. Import Substitution Industrialization

*Franko, "Import Substitution Industrialization: Looking Inward for the Source of Economic Growth," Chapter 3.

Baer, W., "Import Substitution Industrialization in Latin America: Experiences and Interpretation," *Latin American Research Review*, Vol. 7, No. 2, Spring 1972.

Hirschman, Albert O., "The Political Economy of Import-Substituting Industrialization in Latin America," *Quarterly Journal of Economics*, Vol. LXXXII, No. 1, February 1968.

Thorp, "Industrialization and the Growing Role of the State: 1945-73," and "Growth and Emerging Disequilibria," Chapters 5 and 6.

5. The Debt Crisis

*Franko, "Latin America's Debt Crisis: The Limits of External Financing," Chapter 4.

Edwards, "Muddling Through: Adjustment from 1982 to 1987," Chapter 2, pp. 17-26, and "Macroeconomic Adjustment as a Priority," Chapter 4, pp. 69-83.

Fishlow, Albert, "Latin American Adjustment to the Oil Shocks of 1973 and 1979," in *Latin American Political Economy: Financial Crisis and Political Change*, edited by Hartlyn, Jonathan, and Samuel A. Morley, Boulder: Westview Press, 1986, pp.54-84.

Frieden, Jeffrey A., *Debt, Development and Democracy: Modern Political Economy and Latin America, 1965-1985*, Princeton: Princeton University Press, 1991. Read Chapters 2 and 3, pp. 42-91. There are also case studies on Brazil, Chile, Mexico, Venezuela, and Argentina.

Sachs, Jeffrey D., "Introduction," in *Developing Country Debt and Economic Performance*, Chicago: The University of Chicago Press, 1990. This also has country studies on Argentina, Bolivia, Brazil, and Mexico.

6. Stabilization and Structural Adjustment

*Franko, "Macroeconomic Stabilization: A Critical Ingredient for Sustained Growth," Chapter 5.

Edwards, "Muddling Through: Adjustment from 1982 to 1987," Chapter 2, pp. 26-40, and "Macroeconomic Adjustment as a Priority," Chapter 4, pp. 83-106.

Cornia, Giovanni Andrea, Richard Jolly, and Frances Stewart, *Adjustment with a Human Face: Vol. 1 Protecting the Vulnerable and Promoting Growth*, New York: Oxford University Press, 1987. Chapters 7, pp. 147-164.

Thorp, "Debt-led Growth, Disaster, and Redirection after 1973," Chapter, 7.

Williamson, John (ed.), *Latin American Adjustment: How much has happened?*, Washington, D.C.: Institute for International Economics, 1990. This book has country studies on Bolivia, Chile, Peru, Argentina, Brazil, Mexico, Colombia, Venezuela, the Caribbean, and Central America.

7. Has Latin America always been Unequal: Part 2

a) *Inequality Trends in the 20th Century*

Frankema, E. (2009), "The Secular Trend of Income Inequality, 1870-2000: Theoretical and Historical Perspectives," Chpt. 5.

Frankema, E. (2009), "Changing Patterns of Factor Income Distribution, 1870-2000," Chpt. 6.

Frankema, E. (2009), "The Recent Rise of Urban Wage Inequality," Chpt. 7.

b) *The Recent Decline in Inequality in Latin America*

López-Calva, Luis, and Nora Lustig, "Explaining the Decline in Inequality in Latin America" Technological Change, Educational Upgrading, and Democracy," in López-Calva, L.F. and Nora Lustig (editors), *Declining Inequality in Latin America: A Decade of Progress?* Washington, D.C.: Brookings and UNDP, 2010.

This book also has country case studies that we will use for presentations:

- Gasparini, L. and G. Cruces, "A Distribution in Motion: The Case of Argentina"
- Barros, R., M. de Carvalho, S. Franco, and R. Mendonça, "Markets, the State, and the Dynamics of Inequality in Brazil"
- Esquivel, G., N. Lustig, and J. Scott, "Mexico: A Decade of Falling Inequality: Market Forces or State Action?"
- Jaramillo, M. and J. Saavedra, "Inequality in Post Structural Reform Peru: The Role of Market Forces and Public Policy"

8. The Persistence of Poverty and the Recent Decline

a) *Poverty*

Franko, "Poverty and Inequality: Addressing the Social Deficit in Latin America," Chapter 11.

Londoño, J.L., and Székely, M., "Persistent Poverty and Excess Inequality in Latin America, 1970-1995," *Journal of Applied Economics*, Vol. 3, No. 1, May 2000, 93-134.

Ros, Jaime, "Poverty Reduction in Latin America: The Role of Demographic, Social and Economic Factors," CEPAL Review, Issue 98, 2009, 35-45.

ECLA, "Growth in Latin America and the Caribbean between 1980 and 2012: Stylized Facts," Part II, Chapter I, in *Economic Survey of Latin America and the Caribbean 2013: Three Decades of Uneven and Unstable Growth*, Santiago: United Nations, 2013.

b) *Anti-Poverty Policies*

Fiszbein, Ariel, and Norbert Schady, *Conditional Cash Transfers: Reducing Present and Future Poverty*, Washington D.C.: World Bank, 2009.

Lindert, Kathy, E. Skoufias, and J. Shapiro, "Redistributing Income to the Poor and the Rich: Public Transfers in Latin America and the Caribbean," SP Discussion Paper 0605, World Bank, 2006.

9. Rural Poverty, Rural Development, and Land Reform in the 20th Century

Franko, "Rural Development: Sowing the Seeds of Equitable, Sustainable Growth in Latin America," Chapter 10.

- de Janvry, Alain, and Elisabeth Sadoulet, "Rural Poverty in Latin America: Determinants and Exit Paths," *Food Policy*, Vol. 25, Issue 4, August 2000.
- de Janvry, Alain, Elisabeth Sadoulet, and Wendy Wolford, "The Changing Role of the State in Latin American Land Reforms," in de Janvry, A., G. Gordillo, J.-P. Platteau, and E. Sadoulet (eds.), *Access to Land, Rural Poverty, and Public Action*, New York: Oxford University Press, 2001.
- Kay, Cristóbal, "Agrarian Reform and Rural Development in Latin America: Lights and Shadows," paper presented at the International Conference on Agrarian Reform and Rural Development, Philippines, December 5-8, 2000.
- Reardon, Thomas, Julio Berdegue, and German Escobar, "Rural Nonfarm Employment and Incomes in Latin America: Overview and Policy Implications," *World Development*, V. 29, N. 3, March 2001, pp. 395-409.
- Thiesenhusen, William C., "Introduction to Rural Poverty in Latin America" and "Lost Promise: Agrarian Reform and the Latin American *Campesino*," Chapters 1 and 8 in *Broken Promises: Agrarian Reform and the Latin American Campesino*, Boulder: Westview Press, 1995.
- Agriculture for Development*, The World Development Report 2008, Washington D.C.: World Bank, 2008. Read the "Overview," pp. 1-25.

10. Reflections on a Century of Economic Development

- *Franko, Patrice, "Lessons Learned: Cycles in Latin American Development," Chapter 15 in *The Puzzle of Latin American Development*, Lanham: Rowman and Littlefield Publishers, 1999.
- Fishlow, Albert, "Latin America in the XXI Century" in *Economic and Social Development in the XXI Century*, edited by Louis Emmerij, Washington D.C.: Inter-American Development Bank, 1997.
- Thorp, "Reflections on a Century of Light and Shadows," Chapter 9.