

Economic Development in Brazil

University of California, Riverside
Economics 189

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Office Hours:
Tuesday 10am-12pm
or by appointment

Course Description:

This course analyzes the economic development of Brazil. Brazil is the largest country in Latin America, accounting for approximately one third of its population and income. It has become an important international actor, participating actively in the World Trade Organization, the G-20 (a group of 20 large countries that promotes policy coordination for economic stability and growth), and is one of the so-called BRIC countries (Brazil, Russia, India, and China). Topics covered in the course include historical legacies, import substitution industrialization, the debt crisis and hyperinflation, the persistence of poverty and inequality, the agricultural sector and land reform, and the environmental impact of development. The course places current problems in an historical perspective and uses economic analysis to understand the choices as well as the constraints that Brazilian policy makers face.

Requirements and Grading:

- Daily clicker questions based on assigned readings 10%
- Section attendance (5%) and presentations (5%) 10%
- One 5 page paper (to be done in groups of 2, due on March 7) 20%
- Mid-term exam 25%
- Final exam 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: I will ask at least one multiple choice question in each class related to the assigned reading for the day. Your two lowest scores will be dropped.

Paper (to be done in groups of two): The paper will address a particular policy in a given period. It should review the evidence on that policy, and make an argument for how the policy could be (or could have been) improved. Examples include the *Real* stabilization plan, inflation targeting, state-run enterprises during the ISI period, trade policy, social security policy, education policies, anti-poverty policies, land reform policy, etc. 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 question with your name and student I.D. on it.

Exams: The mid-term exam is tentatively scheduled for February 11 (Tue of week 6). The final exam will be cumulative, and will be held on Saturday, March 15 at 3pm. Note that this is immediately after classes end.

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, will be given an F in the course and will be subject to disciplinary action by the University.

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.

Readings:

Required:

Baer, Werner, *The Brazilian Economy: Growth and Development*, 6th ed., Boulder: Lynne Rienner Publishers, 2008.

Suggested:

Brainard, Lael, and Leonardo Martinez-Diaz (eds.), *Brazil as an Economic Superpower?: Understanding Brazil's Changing Role in the Global Economy*. Washington, D.C.: The Brookings Institution, 2009.

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

Fishlow, Albert, *Starting Over: Brazil Since 1985*, Washington, D.C.: The Brookings Institution, 2011.

Roett, Riordan, *The New Brazil*, Washington, D.C.: The Brookings Institution, 2010.

Sachs, Ignacy, Jorge Wilhelm, and Paulo Sérgio Pinheiro (eds.), *Brazil: A Century of Change*, Chapel Hill: University of North Carolina Press, 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.

Veloso, Fernando, Pedro Cavalcanti Ferreira, Fabio Giambiagi, and Samuel Pessôa (editors), *Desenvolvimento Econômico: Uma Perspectiva Brasileira*, Rio de Janeiro: Elsevier, 2013.

Course Outline and Reading List

(Required =*)

1. Introduction to Brazil: “The Land of the Future”

*Baer (2008), “Introduction,” Chapter 1.

Suggested:

Franko (2007), “Development in Latin America: Conceptualizing Economic Change in the Region,” Chapter 1.

Thorp (1998), “Growth and the Quality of Life over the Century,” Chapter 2.

Zweig, Stefan, *Brazil: Land of the Future*, (originally published in 1941), translated and published by Ariadne Press, 2007.

2. The Colonial Period and the Nineteenth Century

*Baer (2008), “The Colonial Period and the Nineteenth Century,” Chapter 2.

Suggested:

Burns, E. Bradford, “Change and Continuity,” Chapter 4 in *A History of Brazil*, 2nd ed., New York: Colombia University Press, 1980.

Cardoso, Eliana, and Ann Helwege, “Historical Roots,” Chapter 2 in *Latin America's Economy: Diversity, Trends, and Conflicts*, Cambridge: MIT Press, 1992.

Villela, Andre, “O Desenvolvimento Econômico no Brasil pré-1945” Chapter 4 in Veloso et al. (2013).

3 and 4. Import Substitution Industrialization in the 20th Century

*Baer (2008), “Early Industrial Growth,” Chapter 3.

*Baer (2008), “The Post-World War II Industrial Drive: 1946-61,” Chapter 4.

Suggested:

Thorp (1998), “Industrialization and the Growing Role of the State: 1945-73,” Chapter 5.

Franko (2007), “Import Substitution Industrialization: Looking Inward for the Source of Economic Growth,” Chapter 3.

Ferreira, P. and F. Veloso, “O Desenvolvimento Econômico Brasileiro no pós-Guerra” Chapter 5 in Veloso et al. (2013).

Cardoso, R., “Política Econômica, Reformas Institucionais e Crescimento: A Experiência Brasileira (1945-2010) in Chapter 6 in Veloso (2013).

5 and 6. The Debt Crisis of the 1980s and Runaway Inflation

*Baer (2008), “From Stagnation and Boom to the Debt Crisis: 1961-85” Chapter 5.

*Baer (2008), “Inflation and Economic Drift: 1985-1994,” Chapters 6.

Suggested:

Franko, “Latin America’s Debt Crisis: The Limits of External Financing,” Chapter 4.

Franko, “Macroeconomic Stabilization: A Critical Ingredient for Sustained Growth,” Chapter 5.

Coes, Donald, *Macroeconomic Crises, Policies, and Growth in Brazil, 1964-90*, Washington D.C.: World Bank, 1995.

7 and 8. Brazil under FHC: The *Real* Plan and the Taming of Inflation (1994-2002)

*Baer ((2008), “The *Real* Plan and the End of Inflation: 1994-2002” Chapter 7.

*Fishlow (2011), “Economic Growth is the Priority,” Chapter 3.

Suggested:

Fishlow, Albert, “Is the *Real* Plan for Real?” Chapter 2 in Purcell, S. K. and Riordan Roett, *Brazil Under Cardoso*, Boulder: Lynne Rienner Publishers, 1997.

9 and 10. Brazil Under Lula (2003-10): Economic Orthodoxy vs. Social Development

*Baer (2008), “The Economic Orthodoxy vs. Social Development: 2002-2007” Chapter 8.

*Fishlow (2011), “Sustaining Social Progress,” Chapter 4.

Suggested:

Kingstone, Peter, and Aldo Ponce, “From Cardoso to Lula: The Triumph of Pragmatism in Brazil” in Weyland, Kurt, Raúl Madrid, and Wendy Hunter (eds.), *Leftist Governments in Latin America: Successes and Shortcomings*. Cambridge: Cambridge University Press, 2010.

Mid-term exam: Tentatively scheduled for Feb. 11.

11 and 12. The Recent Decline in Poverty and Inequality

*Neri, Marcelo, “Income Policies, Income Distribution, and the Distribution of Opportunities in Brazil,” Chapter 9 in Brainard and Martinez-Diaz (2009).

*Ferreira, Francisco H.G., Phillippe Leite, and Martin Ravallion, “Poverty Reduction without Economic Growth: Explaining Brazil’s Poverty Dynamics, 1985-2004,” *Journal of Development Economics*, 93: 20-36, 2010.

Suggested:

Ferreira, Francisco H.G., Phillippe Leite, and Julie Litchfield, “The Rise and Fall of Brazilian Inequality: 1981-2004,” *Macroeconomic Dynamics*, Vol.12, pp.199-230, 2008.

Hoffmann, Rodolfo, “The Evolution of Income Distribution in Brazil: What Promotes and What Restricts the Decline in Inequality,” chapter 11 in *The Economies of Argentina and Brazil: A Comparative Perspective*, Werner Baer and David Fleischer (ed.), Edward Elgar Publishing, 2011.

Barros, R., M. de Carvalho, S. Franco, and R. Mendonça, “Markets, the State, and the Dynamics of Inequality in Brazil” 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.

13. Conditional Cash Transfers: Bolsa familia

*Soares, Sergei, “Bolsa Familia, its Design, its Impacts and Possibilities for the Future,” Working Paper 89, February 2012, International Policy Center for Inclusive Growth.

Suggested:

Glewwe, Paul, and Lucia Kassouf, “The Impact of the *Bolsa Escola/Familia* Conditional Cash Transfer Program on Enrollment, Drop Out Rates and Grade Promotion in Brazil,” *Journal of Development Economics*, 97, pp. 505-17, 2012.

Souza, André Portela (2011). Políticas de Distribuição de Renda no Brasil e o Bolsa Família. In: Brasil: Bacha, E. e Schwartzman, S. “A Nova Agenda Social.” Rio de Janeiro: LTC.

14. The Informal Sector

*Amadeo, Edward J., Indermit S. Gill, and Marcelo C. Neri, "Brazil: The Pressure Points in Brazilian Legislation," Mimeo, July 17, 2000.

Berg, Janine, "Laws or luck? Understanding rising formality in Brazil in the 2000s", Mimeo 2010 and MPRA Paper No. 43608, January 2013.

Suggested:

Henley, Andrew, G. Reza Arabsheibani, Francisco G. Carneiro, "On Defining and Measuring the Informal Sector: Evidence from Brazil," *World Development*, 37:5, pp. 992-1003, 2009.

15. Education

*Bruns, Barbara, D. Evans and J. Luque, *Achieving World-Class Education in Brazil: The Next Agenda*, Washington, D.C.: The World Bank, 2012.

Suggested:

Barbosa Filho, Fernando, and S. Pessoa, "Educação e Desenvolvimento no Brasil," Chapter 7 in Veloso et al. (2013).

16 and 17. Agriculture, Rural Poverty and Land Reform

*Helfand and Pereira, "Determinants of Rural Poverty and Implications for Public Policy in Brazil"

Ondetti, Gabriel, "Up and Down with the Agrarian Question: Issue Attention and Land Reform in Contemporary Brazil," *Politics & Policy*, Volume 36, No. 4, pp. 510-541, 2008.

Suggested:

Helfand, Steven, Rudi Rocha, and Henrique Vinhais, "Poverty and Income Inequality in Rural Brazil: An Analysis of the Recent Decline," in Portuguese in *Pesquisa e Planejamento Econômico*, vol. 39, no. 1, 2009, pp. 67-88.

Helfand, Steven and Gervásio Castro de Rezende, "The Impact of Sector-Specific and Economy-Wide Policy Reforms on the Agricultural Sector in Brazil: 1980-98," *Contemporary Economic Policy*, Vol. 22, No. 2, pp. 194-212, 2004.

Baer (2008), "The Agricultural Sector" Chapter 12.

18. Energy and Development

*Sennes, Ricardo Ubiraci, and Thais Narciso, "Brazil as an International Energy Player," Chapter 2 in Brainard and Martinez-Diaz (2009).

Suggested:

Nassar, A.M., "Brazil as an Agricultural and Agroenergy Superpower," Chapter 3 in Brainard and Martinez-Diaz (2009).

19. The Environmental Impact of Development

*Baer, "The Environmental Impact of Development" Chapter 13.

Suggested:

Fearnside, Philip M., "Deforestation in Brazilian Amazonia: History, Rates, and Consequences," *Conservation Biology*, Vol. 19, No. 3, pp. 680-88, 2005.

Lourenço, José Seixas, "Amazonia: Past Progress and Future Prospects," in Sachs et al. (eds.), *Brazil: A Century of Change*, Chapel Hill: University of North Carolina Press, 2009.

20. Reflections on a Century of Economic Development in Brazil

*Baer (2008), “Linking Past, Present, and Future” Chapter 16.

Suggested:

Fishlow (2011), “Evaluating the Past and Looking to the Future,” Chapter 6.