

Economic Development in Latin America - Spring 2020

Instructor: Pilar Useche, useche@ufl.edu

W | Period 8 - 10 (3:00 PM - 5:45 PM)

Room: MAT 0210

Office Hours: Friday 2:00-3:00 pm,
right after class for brief issues, or by appointment

Objectives and Course Description

This course has the dual purpose of familiarizing you with the most important development policy issues in Latin America and the world, as well as providing you with important tools for analyzing economic development. The first part of the class will invite students to reflect on the question: what is economic development and how is development economics used to examine and explain it? We will go through a history tour to understand how ideas about economic development have been shaped resulting in economic policy frameworks that shape development in specific countries. The class will examine in detail the socioeconomic and political context in the region. A core part of the class consists of examining the strong relationship that exists between markets and institutions; we will review the importance of institutions (embedded within political systems) on economic development, and provide a framework for institutional analysis. Last, part of the class will focus on the understanding of economic development models and the implementation of key development measures (Income, Poverty, Inequality, Vulnerability, Human Development).

Specific Objectives:

1. Acquire knowledge of Latin American historic and contemporaneous political and socioeconomic context through readings, critical assessments and debates.
2. Acquire the ability to understand economic frameworks and measure economic variables that are related with that context and represent key aspects of the development process
3. Link up 1 and 2 and apply to the understanding of a current development issue in a specific subregion or country (class project).

Course Requirements and Grading

Your course grade will be determined by your work on the assignments, presentations and exams

1. Reading assessments (30%): every week (with some exceptions) students will write a short comparative assessment of the assigned readings for the upcoming class (specific guidelines posted in CANVAS). The assessment will consist of a brief summary of each reading, a comparison (authors and perspectives) and a personal statement of their usefulness as they contribute to gaining understanding of the class topic.

All assessments are to be uploaded on CANVAS **by noon on the previous day to the class** AND 1-3 **printed copies** are to be submitted at the beginning of class (the number of copies should equal the number of readings).

2. Presenting reading summaries and sparking debate (15%): Each reading will be briefly presented (10-15 minutes) by a student. Students presenting the readings are also in charge of: a) providing a handout to the class with their summary of ideas in their assigned reading, which will serve as a reminder of each of the topics discussed by the authors b) preparing a set of questions that will be the basis of the debate on that class. Each student should sign up for 3-4 brief presentations (depending on total number of students in the class). Students who are in charge of presentations and grading are exempt from submitting a reading assessment that week.
3. Evaluating assessments (15%): One printed copy of the reading assessments will be given to each of the students in charge of presenting and leading the discussion. Each of these students will have a week to grade the assessments *individually*, submit the grades *with written comments* on which the grades are based (excel sheet format to submit the grades will be provided on CANVAS), and return the assignments to other students.

The professor will assign a grade for the *grading job* based on the comparison of the comments and grades provided with the reading assessment of 2-3 students that will be randomly selected each week. The final grade of the reading assessment for each student will be an average of the grades submitted by the graders.

4. Class participation (10%): Students are expected to contribute actively to class. Students will regularly guide class discussion and while only some students will guide at a specific time, all students are expected to have read all assigned materials and contribute to discussion. Students are also expected to ask questions and clarify any issues and class procedures that seem unclear to them. Absences and tardiness will reduce grades.
5. Group project and presentations (20%): Groups of 3-4 students will be created to prepare a project proposal during the semester. Each group should investigate a pressing development issue that affects one specific region or country of Latin America and propose a set of investments that would be aimed at solving the issue. Examples: Illegal migration of families and children from Central America, highest income inequality in some Latin American countries, illegal crop production in Andean countries, high levels of deforestation in the Amazon.

Students are expected to write a concise document about the issue (question, relevance, analysis, findings and proposal). Each group should document the contributions of each individual to the creation and writing of the proposal.

Each group will do two presentations, one at the beginning of the semester and one at the end. The first presentations will explain to the class the issue that has been chosen and why it is relevant (based on 2-4 lit. references). The class will provide feedback, helping to better define the issue. Additional literature review and analysis of primary or secondary data shall be performed for the final presentation, which is aimed at explaining the conclusions for the project proposal. It is important that the students weave into their

proposals topics and tools provided in class (e.g. historical, political, socioeconomic analysis, including indicators and quantitative assessments of the context).

6. Other individual and group assignments (10%): 3 or 4 additional assignment will make up part of the grade. These are intended to make students familiar and to practice a diverse set of skills that are important for development practitioners (e.g. growth, poverty and inequality calculations, human development index, grant proposal review). We will usually do some of the work for these assignments in class leaving some questions to be finalized at home and to be submitted before the following class.

For any of the presentations above, you should email me a draft of your your slides (even if not final) the day before you present.

Delayed submissions will be penalized at a rate of 1 point per hour.

Attendance Policy

Attendance is important. The student's success in this class will be dependent upon their participation and the amount and quality of effort expended. Students will be held responsible for material covered in class. As a courtesy to fellow students and the instructor, students are expected to arrive on time. If the student cannot arrive on time because of extenuating circumstance, the student is strongly encouraged to meet with the instructor during the first week of classes. Absences and tardiness will reduce grades.

Lids Down/Messaging Policy

Laptops are only permitted to be used in class for the purpose of using statistical and econometric software. If students want to review readings during class, they should bring a printed copy of these and avoid reading in the laptops. Text messaging, cell phones and other forms of cyber communication are not to be used in class, unless there is an exceptional circumstance and the student has notified the teacher in advance.

Prerequisites: Economic models are frequently used to organize the presentation of the various theoretical approaches and to provide a coherent explanation for some issues. These models should not be a major barrier to participation or successful achievement for students in this course. However, students wishing to deepen their understanding of economic development issues will find appropriate background material E. Taylor, Essentials of Economic Development Economics (Univ. of California Press: Berkeley, California, 2015) or M.P. Todaro, Economic Development, 8th ed. (New York, Longman, 2002).

Readings:

Chapters of the following books will be used for the class:

1. (FR): Patrice Franko, *The Puzzle of Latin American Economic Development*, 2nd edition, (Lanham, MD: Rowman and Littlefield Publishers, 2003).
2. (MLA): Peter Smith and James Green. *Modern Latin America*, 9th ed., Oxford University Press.
3. (TL): Edward Taylor & Travis Lybbert, *Essentials of Economic Development Economics*, Univ. of California Press: Berkeley, California, 2015.
4. (DJS): De Janvry, A. and Sadoulet E. 2016. *Development Economics*, Routledge, NY.

Course Sections:

(The instructor reserves the right to change some readings during the course of the semester)

1. Introduction: Development Economics and Economic Development
 - TL, Ch 1. What Development Economics is All About
 - FR Ch1. Development in Latin America: Conceptualizing Econ Growth in the Region (Pgs.25)
 - MLA Chapter 1: Why Latin America? (Pgs. 13)
 - DJS, Introduction. Economic Development (Pgs. 25)
2. Latin American Economic Development Strategies
 - Part 1: An economic overview
 - David Lindauer and Lant Pritchett “What’s the Big Idea? The Third Generation of Policies for Economic Growth,” *Economia*, Fall (2002): 1-39.
 - FR Ch. 3 Import Substitution Industrialization, Ch.4. Debt Crisis
 - FR Ch. 5 Macroeconomic Stabilization, Ch. 6 Role of the State
 - Part 2: Historical overview and political contextualization of Latin American Economic Development Strategies
 - MLA Chapters 12 & 13
3. The connection between Markets & Institutions
 - Stiglitz, J., "Markets, Market Failures and Development," (CANVAS).
 - Stanley Engerman and Kenneth Sokoloff, “Factor Endowments, Inequality, and Paths of Development among New World Economies,” *Economia*, Fall (2002): 41-109.
 - Acemoglu, D. S. Johnson and J.A. Robinson (2002) “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics*, 118, 1231-1294.
4. Institutional Analysis: A More Structured Framework
 - Portes, A. (2006). Institutions and Development: A Conceptual Reanalysis. *Population and Development Review*, 32(2), 233-262. Retrieved from <http://www.jstor.org/stable/20058873>
 - MLA Chapter 2: Colonial Foundations
5. Economic Development Models & Measures
 - Part 1: Standard Economic Development Measures
 - Income & Growth:

TL, Ch 3 Income, Ch7 Growth

For more technical and in depth treatment: DJS CH8, Ch 9

- Poverty, Inequality & Vulnerability

FR, Ch 11 Poverty and Inequality: Addressing the Social Deficit in Lat Am

Ravallion, M. (1992), “Poverty Comparisons: A Guide to Concepts and Methods,” LSMS Working Paper No. 88, The World Bank. *(Read up through page 66)*

DJS Ch5 Poverty and Vulnerability Analysis

DJS Ch6 Inequality and inequity

Ligon, E. & Schechter, L. (2004), “Vulnerability Measures”

- Human Capital & Human Development

TL Ch6 Human Development/ DJS Ch17 Human Capital: Education and Health

FR Ch12 Health Policy: Investing in People’s Future

FR Ch13 Education Policy: The Source of Equitable Sustainable Growth

Part 2: Agricultural Transformation

- FR, Ch10 Rural Development
- Peter Timmer, “The Agricultural Transformation,” Chapter 8 in Handbook of Development Economics, Volume I, edited by H. Chenery and T.N. Srinivasan, Amsterdam: Elsevier Science Publishers, 1988.
- TL, Ch 10, Structural Transformation
- Bradford L. Barham and Oliver T. Coomes, “Reinterpreting the Amazon Rubber Boom: Investment, the State, and Dutch Disease,” Latin American Research Review, 29, 2 (1994), 73-109.

Part 3: Environmental challenges, models and measures of cooperation

- FR, Ch14 Environmental Challenges: Internalizing the costs of development
- P. Seabright, 1993. “Managing Local Commons: Theoretical Issues in Incentive Design,” Journal of Economic Perspectives, 17, 4: 113-134.
- Cardenas, J.C. and Carpenter. “Real Wealth and Experimental Cooperation: Experiments in the Field Lab,” Journal of Development Economics, 70(2) 2003: 263-289.
- Karlan, D. “Using Experimental Economics to Measure social Capital and Predict Financial Decisions,” American Economic Review, 95(5) 2005: 1688-1699.

6. Understanding country-level differences and addressing a specific current development problem: final project (students should search for complementary sources)

- Historical Cases: MLA Chapters – Mexico, Colombia, Brazil, Argentina, the Andes, The Caribbean, Venezuela,...
- Study Cases (institutions): Argentina, Chile, Colombia, Mexico, Dominican Republic. In Portes A. “Institutions Count”
- Data/Statistics: WB-LSMS, IADB, FAO
- Newspaper/Magazine articles