

Latin American Economic Development

(AAE 462, Eco 462, Bus 462)

Tuesday and Thursdays, 9:30-10:45, Ingraham 120

Office Hours – T, Th 2:30-3:30pm or by appointment.

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Course Description:

Economic theory, empirical evidence, and historical accounts are combined in an attempt to understand the various forces that have shaped economic development in Latin America with a strong emphasis on the recent ‘growth with equity’ era. The course is open to any student with either some background in economics (an intro course and perhaps one other) or previous Latin American course work (including LAS 260 and other social science courses related to Latin American politics and society). It will use economic tools and ideas that span the discipline (micro, macro, econometrics, development), but most of your grade will be based on active, engaged development of your knowledge of key concepts and models rather than abstract ‘tests’ of your ability to manipulate them. **Why is that?**

This course is mostly ‘flipped, in that students will frequently use class time to discuss ideas and do individual and group projects that focus on preparing integrated thematic analyses of the development experience of a specific Latin American country. These will be shared with other students in your group and across country groups in the form of presentations and written study notes that will be shared prior to the two exams. Students will be asked on exams to compare their work with that of others. Exams center on applying concepts, models, and ideas we have discussed and explored preparing presentations and study notes. In other words, you will have developed strong working knowledge of the economic development processes and outcomes prior to exams, and it will be those efforts that earn you most of your grade and shape your exam efforts.

We focus on six Latin American countries (Argentina, Brazil, Chile, Colombia, Mexico, and Peru). Depending on enrollment and interest, we might add a Central American country or two. The course is divided into two historical eras: late 1800s-late 1990s and the late 1990s- to the present. Lectures typically include 1-2 short presentations (~15 minutes) by the professor, mixed in with individual exercises, small group efforts, and class discussions of key issues that will guide the individual and team studies of specific countries. The two exams will correspond to the historical eras, and will be the week following the group presentations, which aim to serve as ‘review’ and ‘synthesis’ sessions in preparation for the exams.

Each student will be part of a 4 or 5-person country group and will have a theme they are taking the ‘lead’ on for the group. Students will write up their research work on that theme (3-5 pages per ‘era’), and this material will provide the core content for their portion of the group presentation to be shared with other country groups. Some group presentations will be made in class, and some will be held outside of class hours to allow more time for sharing of ideas and reduce duplication during class time. For example, if you are in an Argentina country group, your presentation may be combined with the Brazil group in class on one day, and then you will be required to attend the presentations of the other country groups in an evening session. That means twice in the semester (once in week 6 and once in week 15) you will have an extra class session. As mentioned above, these presentations will precede the mid-term and final exams.

Course Schedule:

The course is based on weekly thematic modules that frame the group presentations. Each student will develop expertise in one of the modules for their part of the presentation. They will also be encouraged to meet with other students in that thematic area to sharpen their analytical approach and with other students in their country group to integrate their findings into the country account. Here are the thematic modules and their 'timing' in the course:

Week 1: Introduction and Contending Theories of Latin American Development (1/17-19)

Class 1: Course design, assignments; Learn@UW, What is Development? Methods/tools

Class 2: Contending Theories of Latin American Development (watch ppt before class)

Week 2: The Curse and Opportunity of Resource Riches (1/24-1/26)

Class 1: Resource Abundance, Resource Curse, Winners & Losers, Country groups formed

Class 2: Dutch Disease, first look at country-level evidence on primary product exports

Week 3: The Logic and Performance of Import Substitution Industrialization (1/31, 2/2)

Class 1: ISI Logic, ISI contradictions, and Measures of Distortion

Class 2: ISI experience of countries – timing, how far did they get, role of trade and FDI

Week 4: Paths into and Responses to the Debt Crisis / War in Central America (2/7, 2/9)

Class 1: The 1980s ('Lost Decade') – Debt and War

Class 2: Stabilization Episodes – Country-level discussions

Week 5: Neoliberal Resurgence and Decline (1990s) (2/14-2/16)

Class 1: The Ascent and Descent of the Washington Consensus

Class 2: Turning Left in Latin America

Week 6: Group Presentations (2/21-2/23 – Integrating week 2-5 themes)

Class 1: Argentina and Brazil – Sector 1

Tuesday evening - Chile, Mexico, and Central America – Sector 1

Class 2: Central America and Mexico – Sector 2

Thursday evening: Argentina, Brazil, and Chile – Sector 2

Week 7: Exam 1 and Growth with Equity Kick-Off (2/28-3/1)

Class 1: Midterm 1

Class 2: Growth with Equity Model

Week 8: Fair Trade/Organics/and Sustainability Schemes (3/6-8)

Class 1: Fair trade and organic coffee – What do we know? / Taped lecture

Class 2: Group work (3/10)

Week 9: Next Generation Certification Scheme Design (3/13)

Monday – special office hours to assist with group presentations (1-5pm)

Tuesday March 13, Group Presentations in class and in evening (6:45-9:00pm)

Spring Break March 17 – 26**Week 10: Growth w/ Equity – Exports, Competitiveness, and Middle Income Trap? (3/28-30)**

Class 1: New and old trade patterns – making resource abundance work? Exploring links between trade structure, technology, and productivity.

Class 2: Premature Deindustrialization

Week 11: Foreign direct investment and Migration (4/4-6)

Class 1: FDI policies and trends

Class 2: Domestic and international migration

Week 12: Social policies (4/11-13)

Class 1: Education and human capital

Class 2: Labor, wages, and pensions

Week 13: Performance and viability of growth with equity strategies (4/18-20)

Class 1: Integrating the pieces: structure, endowments, and technology

Class 2: Growth and equity trends, variability, and viability

Week 14: Why and Where are the Wheels off the Bus? (4/25-27)

Class 1: Decline of commodity prices and external balances

Class 2: Corruption, inflation, and revenge of the past

Week 15: Group Presentations (5/3-5)

Class 1: Argentina, Brazil, Mexico – Sector 2

Tuesday evening - Chile, Colombia, and Peru – Sector 2

Class 2: Chile, Colombia, and Peru – Sector 1

Thursday evening: Argentina, Brazil, and Mexico – Sector 1

Final Exam: Monday, May 8, 2017, 12:25-2:25pm**Grading Scheme:**

Midterm Exam – **20%** (in-class exam –short/medium answer questions)

Final Exam – **20%** (mostly short-answer, one integrative writing piece)

6 Quizzes – **10%** total (you can throw out one of 6, 2% each)

Individual Presentations and Papers – **25%** (5% for each, each time, plus 5% for drafts)

Group Presentation Coherence – **10%** (5% each time based on quality and coherence)

Certified Coffee Group Presentation Quality – **5%** (only group effort here)

Other writing and homework assignments – **10%** (two essays 5% inc. 1% for exchange)

Participation – raises grades on the margin and indirectly helps with rest of above.

Course Assignments:

Week 1: Nothing due but we choose country groups (sign-up sheet in class)

Week 2: Class 1 – Short quiz, Class 2 – Exchange essay 1, Dutch Disease exercises
Individual paper 1 due on **1/26/17** – bring draft to exchange with someone in your country group

Week 3: Class 1 – Short quiz, discuss essays and responses with peer, Class 2 – Key questions and identify initial readings for country study

Week 4: Class 1 – Short quiz, Class 2 – **Outline Due** (main points for country study and group ppt)

Week 5: Class 1 – Short quiz, Class 2 – **Rough draft (group ppt presentation and papers)**

Week 6: Group presentations and presentation papers for part 1 of course

More on Group Presentations (applies to week 15 presentation, too):

1. 30 minute power point or other form of presentation with supporting documentation*
2. Each student presents ~5 minutes on their theme (e.g. agro-exports in Brazil)
3. Need a moderator (opens and closes presentation)
4. Supporting documentation – short papers/documented talking points for each presentation including references.

Week 7: Midterm

Week 8: No Assignments Due

Week 9: Certified coffee scheme presentation (**group ppt and presentation**)

Spring Break

Week 10: Class 1 – Short quiz, Class 2 – Group questions/issues handed in, Individual paper 2 due – **3/31/2016**

Week 11: Class 1 – Short quiz, Class 2 – Group notes on trade, productivity, and external balances

Week 12: No assignments due.

Week 13: Class 1 – **Outline for country study, group ppt, and individual papers**

Week 14: Class 2 – **Rough draft (group ppt and 2-3 page papers)**

Week 15: Group presentations and papers for part 2 of course (same design as week 6)

Final Exam: Monday, May 8, 2017, 12:25-2:25pm

Reading Materials:

1. Patrice Franko, *The Puzzle of Latin American Economic Development*, 2nd edition, (Lanham, MD: Rowman and Littlefield Publishers, 2007). – UW Bookstore
2. Articles posted to web site at Learn@UW for all students
3. Articles posted to web site for country studies – by country/region

General Readings: Franko text chapters are on line, along with all 22 articles/monographs on the course web site.

Week 1: Franko, Ch. 1, p. 56-61, Lindauer and Pritchett (2002), Albert Fishlow (1990), and Charles Gore (2000),

Week 2: Franko, Ch. 2, Williams (1986), Engerman & Sokoloff (2002), Barham & Coomes (1994).

Week 3: Franko, Ch. 3, Todaro (1989), and Baer (1972).

Week 4: Franko, Chs 4-5, Trebat (1991)

Week 5: Franko, Chs 6-7, *Pastor & Wise (1999), **Amman & Baer (2002), Castaneda (2006)

Week 6: No readings – group presentations and review for exam

Week 7: Franko, Chs. 9-11, Casanova and Kassum (2014)

Week 8: Barham et al. (2011), Barham and Weber (2012)

Week 9: No assigned readings – certified coffee scheme group work and presentations

Week 10: Paus (2014), Rodrik (2015)

Week 11: Franko, Ch 8, Hall et al. (W Bank Resource Booms); **Barros (2009)

Week 12: Fajnzlber and Lopez (2006); Acosta et al. (2005)

Week 13: Franko, Chs 12-13, Rawlings and Rubio (200x)

Week 14: Franko, Ch. 15,

Week 15: None

Argentina = *, Brazil = **, Chile = ***

Country specific readings: See Learn@UW web site

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Online Readings, Spring 2016

- (1) David Lindauer and Pritchett. "What's the Big Idea? The Third Generation of Policies for Economic Growth," *Economia*, 3, 1(2002): 1-40.
- (2) Albert Fishlow, "The Latin American State" *The Journal of Economic Perspectives*, 4 ,3, Summer (1990), 61-74
- (3) Charles Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries," *World Development*, 28, 5 (2000): 789-804.
- (4) Robert G. Williams, "Part Two: Cattle", *Export Agriculture and the Crisis in Central America*, (Chapel Hill, University of North Carolina Press: 1986): 77-152.
- (5) Stanley Engerman and Kenneth Sokoloff, "Factor Endowments, Inequality, and Paths of Development among New World Economies," *Economia*, Fall (2002): 41-109.
- (6) 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.
- (7) Michael Todaro, "Trade Strategies: Import Substitution," chapter 16 in Todaro, *Economic Development in the Third World*, 4th ed. (New York, Longman, 1989).
- (8) Werner Baer, "Import Substitution and Industrialization in Latin America: Experiences and Interpretations," *Latin American Research Review*, 1 (1972): 95-122.
- (9) Thomas Trebat, "Resolving the Debt Crisis: Prospects for the 1990s," in *Latin America: The Crisis of the Eighties and the Opportunities of the Nineties*, ed. Werner Baer, et al., (University of Illinois: Urbana, 1991): 13-44.
- (10) Manuel Pastor, Jr. and Carol Wise, "Stabilization and its Discontents: Argentina's Economic Restructuring in the 1990s," *World Development*, 27, 3 (1999): 477-503.
- (11) Edmund Aman and Werner Baer, "Anchors Away: The Cost and Benefits of Brazil's Devaluation," *World Development*, 31(6): 1033-1046.
- (12) Castañeda, J. "Latin America's left turn: A tale of two lefts." *Foreign Affairs*. 85, 3 (2006): 28-43.
- (13) Lourdes Casanova and Julian Kassum, *The Political Economy of an Emerging Global Power: In search of the Brazil Dream*, Palgrave McMillan, 2014 (pages x-y)
- (14) Barham et al., "Fair Trade/Organic Coffee, Rural Livelihoods, and the 'Agrarian Question': Southern Mexican Coffee Farmers in Transition" *World Development*, 39, 1 (2011): 134-145.

- (15) Barham, B. and J. Weber, "The Economic Sustainability of Certified Coffee Schemes: Recent Evidence from Mexico and Peru," *World Development*, 40, 6 (2012): 1269-1279.
- (16) Eva Paus, "Latin America and the middle-income trap," CEPAL, 2014.
- (17) Dani Rodrik, "Premature Deindustrialization," IAS Working paper #107, 2015.
- (18) Hall et al. *Natural Resources in Latin America and the Caribbean: Beyond Booms and Busts*, World Bank.
- (19) Barros, Geraldo, "Brazil: The Challenges in Becoming an Agricultural Superpower", in Lael Brainard and Leonardo Martinez-Diaz (eds.), *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy* (Washington, D.C.: Brookings Institution Press, 2009).
- (20) Pablo Fajnzylber and J. Humberto López, *Close to Home: The Development Impact of Remittances in Latin America*, World Bank, 2006.
- (21) Acosta et al. "What is the Impact of International Remittances on Poverty and Inequality in Latin America?" World Bank, 2005.
- (22) Laura B. Rawlings and Gloria M. Rubio. "Evaluating the Impact of Conditional Cash Transfer Programs". *The World Bank Research Observer*, 20, 1 (2005): 29-55

Grievance Procedure:

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7114 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.