

Syllabus and Readings for Latin American Economic Development  
AAE/Econ/Bus 462  
Spring 2009

**1. Administrative Details**

Course meets: MW 2:30-3:45 in 5106 Social Sciences  
Instructor: Laura Schechter  
Office: 334 Taylor Hall  
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Office Hours: T 11:00-12:00 and F 2:30-3:30  
Website: <http://www.aae.wisc.edu/aae462/main.asp>

**2. Course Description**

Economic theory and historical accounts are combined in an attempt to understand the various forces that have shaped economic development in Latin America. The first half of the course looks at historic and macroeconomic issues. We will discuss development policies including the import-substituting industrialization policies of the 1950s-1970s, the market-oriented reforms of the 1980s, and the present. The second half of the course will look at microeconomic issues such as poverty, inequality, agriculture, education, and corruption. Not every topic fits neatly into the macro/micro breakdown of the course, and the macro discussions will be informed by micro fundamentals while the micro discussions will be informed by macro issues.

**3. Prerequisites**

One introductory course in economics (e.g., Econ 101,102, AAE 215) or a solid background in economic issues from other “development” oriented courses. Economic models are frequently used to provide a coherent explanation for some issues. On the other hand, these models should not be a major barrier to participation or successful achievement for students in this course.

**4. Course Requirements**

The distribution of points for the semester will be as follows:

4 Homework Assignments	20%
3 Reading Reaction Papers	10%
1 Research Paper	20%
Midterm Exam	25%
Final Exam (not cumulative)	25%

**A. Homework Assignments**

Homework assignments will include a variety of written and numerical exercises. Assignments will be handed out a week to a week and a half before they are due. Assignments are due at the beginning of class on the day they are due. Late homework assignments will be accepted but will lose 20% credit for each day they are late. (This means they lose 20% the first day late, 40% if two days late, 60% if three days late, 80% if four days

late, and will receive no credit if handed in five or more days late.) The homework assignments will be due **February 16<sup>th</sup>, March 4<sup>th</sup>, April 6<sup>th</sup>, and April 22<sup>nd</sup>**.

## **B. Reading Reaction Papers**

Throughout the semester you will choose three of the readings about which to write a reaction paper. You cannot choose to write about a chapter in the textbook, nor can you choose to write about one of the short articles from *The Economist*. There are over 20 such readings throughout the semester from which to choose. Your reaction paper is due at the beginning of class on the day we are discussing that article (the date in brackets next to the title of the reading in the list below). Reaction papers handed in after that time will **not** be accepted.

The reaction papers should be two pages, double-spaced, with 12 point Times New Roman font. They should be well-organized and carefully written. The reaction papers will be graded according to how seriously you engage a reading and the rigor and clarity of your argument. You will not be graded on whether you are "right" or "wrong," or whether you agree with my opinion on the issue. Around half of the reaction paper should summarize the authors' main point. The rest of the paper should be dedicated to your reaction to the reading.

Some questions you may want to look at are: Did you agree or disagree with the reading? Did you find any flaws in the authors' reasoning? What was the most interesting part of the reading for you? Did the reading make you rethink your opinion on the issue? How does the reading compare with readings you had in another class or other readings in this class? Are there other related issues or questions you would like to discuss in class? You do not have to answer all or any of these specific questions. I just put them here to get you thinking about what types of things you may want to discuss. I may mention points that you bring up in your reaction papers for others to learn from and discuss and hope that these papers will be useful for the entire class.

## **C. Research Paper**

A separate handout explains this assignment in more detail. You will be required to hand in a topic proposal (just a few sentences) on **Wednesday, February 11<sup>th</sup>**. On **Wednesday, February 18<sup>th</sup>** we will spend class in the library where the librarian will introduce you to different ways of searching for scholarly sources related to your topic. On **Monday, March 30<sup>th</sup>** you will be required to hand in a list of at least three of the references you are planning on using. On **Monday, April 13<sup>th</sup>** you must hand in a two page outline and a list of the (at least) five references you plan on using. You will not receive any points for handing in the topic proposal, list of sources, or paper outline, but if you do not hand in one of those then your grade on the paper will automatically be docked a half of a grade (e.g. from an AB to a B). The paper will be due no later than the beginning of class on **Monday, May 4<sup>th</sup>**. Extensions must be requested by Monday April 27<sup>th</sup>. In the final paper, students will be expected to explore challenges facing a single country and integrate them into a coherent essay. The final paper should be 10-15 pages and will require an effort to upgrade one's understanding of key issues in the course.

## **D. Exams**

The following dates for the mid-term and final exams have been set:

Mid-term: In class on **Wednesday, March 11<sup>th</sup>** from 2:30-3:45.

Final: **Wednesday, May 13<sup>th</sup>** from 12:25-2:25.

## 5. Required Texts

Patrice Franko, *The Puzzle of Latin American Economic Development*, 3<sup>rd</sup> edition, (Lanham, MD: Rowman and Littlefield Publishers, 2007).

One course reader with articles available at Underground Textbook Exchange, 664 State St.

## 6. Important Things to Note

Homework must be handed in at the beginning of class on the day they are due. Late homework assignments will be accepted but will lose 20% credit for each day they are late. You may work with other students on the problem sets, *but the written answers must be in your own words*. If you copy someone else's answer, that is cheating and you will both get half credit (for each doing half the work).

There are no scheduled make-up exams. Students who miss a midterm and who have an excuse meeting University standards will be required to complete an additional assignment. If it is completed acceptably, they will have the final exam weighted proportionately more. Excuses must be approved within 24 hours of the scheduled exam. *If you cannot take the final at the scheduled time, do not take this course!*

Cheating and **plagiarism will not be tolerated**. If you are caught cheating or plagiarizing, you will get a 0 on the assignment and appropriate University Conduct Code sanctions will be taken against you.

If you require special accommodations for exams due to learning or other disability, you must speak with me **before February 11<sup>th</sup>**. You will need to obtain the evaluation form from the McBurney Disability Resource Center (<http://www.mcburney.wisc.edu/>).

## 7. Course Outline and Readings

I expect you to have done the reading before class on the bold date in brackets to the left of the reading. There is usually one reading per day of class unless the reading is very short or very interesting. Remember that if you are going to hand in a reaction paper on one of the readings you must hand it in at the beginning of class on the day in bold in brackets for that reading.

### I. Macroeconomic Issues

#### A. *Historical Legacies (Jan 21, 26, 28)*

[**Jan 26**] "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," Daren Acemoglu, Simon Johnson, and James A Robinson. *Quarterly Journal of Economics*, 117(4) 2002: 1231-1294.

[**Jan 28**] "Assessing the Obstacles to Industrialisation: The Mexican Economy, 1830-1940," Stephen H. Haber. *Journal of Latin American Studies*, 24(1) 1992: 1-32.

[Jan 28] Gerald M Meier and James E Rauch, "How to Read a Regression Table," *Leading Issues in Economic Development* Eighth Edition, New York: Oxford University Press, 2005, pp. 633-638.

**B. Import Substitution Industrialization (Feb 2, 4, 9)**

[Feb 2] FRANKO: Chapter 3

[Feb 4] "Problems of Import Substitution: The Chilean Automobile Industry" Leland L Johnson. *Economic Development and Cultural Change* 1967: 202-216.

[Feb 9] "Getting interventions right: how South Korea and Taiwan grew rich," Dani Rodrik. *Economic Policy*, 10(1) 1995: 55-107.

**C. Debt Crisis and Inflation (Feb 11, 16)**

[Feb 11] FRANKO: Chapter 4

[Feb 16] FRANKO: Chapter 5

**\*\* Class in Room 105 Steenbock Library (downstairs) (Feb 18)\*\***

**D. Privatization (Feb 23)**

[Feb 23] "Privatization in Latin America: What Does the Evidence Say?," Alberto Chong and Florencio Lopez-de-Silanes. *Economia* 4(2) 2004: 37-111.

[Feb 23] "Quenching Thirst," *The Economist* February 16, 2006.

**E. Capital Flows (Feb 25)**

[Feb 25] FRANKO: Chapter 7

**F. Free Trade and Trade Blocs (Mar 2, 4)**

[Mar 2] FRANKO: Chapter 8

[Mar 4] "The Political Economy of Mercosur," Luigi Manzetti. In Modern Political Economy and Latin America Jeffrey Frieden, Manuel Pastor Jr and Michael Tomz (eds.).

[Mar 4] "Does Mercosur's Trade Performance Raise Concerns about the Effects of Regional Trade Arrangements?," Alexander J Yeats. *World Bank Economic Review*, 12(1) 1998: 1-28.

[Mar 4] "A threat to defect," *The Economist* January 21, 2006.

**G. The Washington Consensus and Beyond (Mar 9)**

[Mar 9] "Goodbye Washington Consensus, Hello Washington Confusion?," Dani Rodrik. *Journal of Economic Literature*, 44 2006: 973-987.

[Mar 9] “What's the Big Idea? The Third Generation of Policies for Economic Growth,” David L Lindauer and Lant Pritchett. *Economia*, 3(1) 2002: 1-39.

**\*\* EXAM 1, IN CLASS (March 11) on macroeconomic half of class.\*\***

**\*\* Have a great spring break!\*\***

## **II. Microeconomic Issues**

### **A. Poverty and Inequality (Mar 23, 25)**

[Mar 23] **FRANKO:** Chapter 11

[Mar 25] “Introduction: Motivation and Conceptual Framework,” World Bank. In Inequality in Latin America and the Caribbean: Breaking with History? 2003.

[Mar 25] “From Vicious to Virtuous Circles,” World Bank. In Poverty Reduction and Growth: Virtuous and Vicious Circles. Guillermo E. Perry, J. Humberto López, and William F. Maloney, 2006.

### **B. Crime (Mar 30)**

[Mar 30] “Crime, Violence and Inequitable Development,” François Bourguignon, In *Annual World Bank Conference on Development Economics 1999*, edited by Boris Pleskovic and Joseph E. Stiglitz, pp. 199–220. Washington, D.C.: World Bank, 2000.

### **C. Agriculture and the Environment (Apr 1, 6)**

[Apr 1] “Rural Poverty in Latin America: Determinants and Exit Paths,” Alain de Janvry and Elisabeth Sadoulet. *Food Policy*, 25(4) 2000: 389-409.

[Apr 6] “Payments for Environmental Services: Some Nuts and bolts,” Sven Wunder. *CIFOR Occasional Paper No. 42* 2005.

[Apr 6] “Reinterpreting the Amazon Rubber Boom: Investment, the State, and Dutch Disease,” Bradford L Barham and Oliver T Coomes. *Latin American Research Review*, 29(2) 1994: 73-109.

### **D. Microfinance (Apr 8, 13)**

[Apr 8] “The Microfinance Promise,” Jonathan Morduch. *Journal of Economic Literature*, 37(4) 1999: 1569-1614.

[Apr 13] “Social Connections and Group Banking,” Dean Karlan. *Economic Journal* 117(517) 2007: F52-F84.

### **E. Trust and Social Capital (Apr 15, 20)**

[Apr 15] “Social Capital: Implications for Development Theory, Research, and Policy,” Michael Woolcock and Deepa Narayan. *World Bank Research Observer*, 15(2) 2000: 225-249.

[Apr 20] “Real Wealth and Experimental Cooperation: Experiments in the Field Lab,” Juan Camilo Cardenas. *Journal of Development Economics*, 70(2) 2003: 263-289.

[Apr 20] “Using Experimental Economics to Measure Social Capital and Predict Financial Decisions,” Dean Karlan. *American Economic Review*, 95(5) 2005: 1688-1699.

**F. Property Rights and Corruption (Apr 22, 27)**

[Apr 22] “Property Rights and Investment in Urban Slums,” Erica Field. *Journal of the European Economic Association* 3(23) 2005, 279-290.

[Apr 27] “The Role of Wages and Auditing during a Crackdown of Corruption in the City of Buenos Aires,” Rafael Di Tella and Ernesto Schargrotsky. *The Journal of Law and Economics*, 46(1) 2003: 269-292.

**G. Health, Education, and Conditional Cash Transfers (April 29, May 4, 6)**

[April 29] “Health and Wages: Evidence on Men and Women in Urban Brazil,” Duncan Thomas and John Strauss. *Journal of Econometrics*, 77(1) 1997: 159-185.

[May 4] **FRANKO:** Chapter 13

[May 6] “Evaluating the Impact of Conditional Cash Transfer Programs,” Laura B Rawlings and Gloria M Rubio. *World Bank Research Observer*, 20(1) 2005: 30-55.

[May 6] “New Thinking about an Old Problem” and “Not Always with us,” *The Economist*, September 17, 2005.

[May 6] “Happy Families,” *The Economist*, February 9, 2008.