

Syllabus for Latin American Economic Development
AAE/Econ/Bus 462
Spring 2023

1. Administrative Details

Course meets: MW 2:30-3:45 in 3345 Engineering Hall

Instructor: Laura Schechter

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Office Hours: Tu 11:00-12:00 in 6424 Social Sciences and F 2:30-3:30 in 334 Taylor Hall. Both times also virtual: <https://uwmadison.zoom.us/j/91595368644>.

Or by appointment.

Website: Canvas

2. Course Description and Learning Goals

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.

The primary goal of the course is to help students develop their ability to make an informed analysis about the various forces that drive Latin American economic development. To do this, the course combines economic theory, empirical evidence, and a historical approach.

After successfully completing this course, students will:

- 1) Be familiar with the historical pattern of Latin American economic development.
- 2) Identify the economic and social characteristics that are common to the region.
- 3) Interpret historical and current data construction and use.
- 4) Understand the necessary components for economic development and why Latin American countries, at various points in time, failed to fully develop these components.
- 5) Understand the different policies enacted by countries in the region and the successes and failures of these policies.
- 6) Understand how data can be used to measure the impact of policies on growth, poverty, and inequality.

3. Policy on the Use of Mobile Technologies

Please keep your cell phones on silent and put away in your bag or pocket. Laptop/tablet use in lectures is not recommended. Even when devices like laptops are diligently used for typed note-taking, studies show they invite rote transcribing versus mental processing or thinking. This leads to poorer academic performance. Consider hand-writing your notes in class for potentially more efficient, deeper, real-time learning. Using your laptop or tablet to take notes also often leads to checking email and social media or browsing the internet. This hinders your learning and has also been shown to distract those around you.

Therefore, I highly recommend taking notes on paper. (Slides are available prior to class, and can be printed.) For more information about why not to use laptops during class, see this NY Times article: <https://www.nytimes.com/2017/11/22/business/laptops-not-during-lecture-or-meeting.html>

4. 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 and statistical analyses are frequently used to provide a coherent explanation for the issues we are discussing but you do not have to have taken intermediate micro or econometrics to be successful in this course.

5. Course Requirements

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

4 Problem Sets	32%
3 Reading Reaction Papers	12%
Midterm Exam	28%
Final Exam (not cumulative)	28%

A. Problem Sets

Homework assignments will include a variety of written and numerical exercises. Assignments will be posted on Canvas at least a week 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 20th, March 8th, April 10th, and April 26th**. Homeworks count as late if they are not submitted on Canvas by the beginning of class on the day they are due.

Anything that you submit should contain grammatically correct, complete sentences (this is also true for email). You are expected to type the answers to your problem sets. When applicable, the problem set will state that you can hand-write things like equations or graphs.

You may work together but your answers must be in your own words. If two students' answers are exactly the same, then both students will get half credit.

B. Reading Reaction Papers

Throughout the semester you will choose three of the readings about which to write a reaction paper. Your reaction paper must be submitted on Canvas before 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 submitted after that time will **not** be accepted. A sample reaction paper from a different class is posted on Canvas.

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 one page of the reaction paper should summarize the authors' main point. The second page should be dedicated to your reaction to the reading.

Some questions you may want to discuss on the second page 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.

C. Exams

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

Mid-term: In class on **Wednesday, March 22nd** from 2:30-3:45.
Final: **Monday, May 8th** from 5:05-7:05 PM.

There are no scheduled make-up exams. If you cannot take the exams at the scheduled time, do not take this course.

6. Important Things to Note

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 11th**. 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. There is one textbook by Reyes and Sawyer and multiple academic articles, all available online.

Javier A Reyes and W Charles Sawyer, *Latin American Economic Development*, 3rd edition, (New York, NY: Routledge, 2020). This e-book has been purchased by UW Madison with an unlimited downloads agreement. As long as you are on campus or have authenticated online with your net ID and password, you will be able to follow the link and click on the view online button on the upper right corner of the record to acquire full access to the book.
<https://search.library.wisc.edu/catalog/9913637030702121>

All academic articles have been posted as pdfs on the Canvas website.

I. Macroeconomic Issues

A. Historical Legacies (Jan 25, 30, Feb 1)

- **[Jan 30]** REYES and SAWYER: Chapters 1 and 2
- **[Feb 1]** “Institutions, Factor Endowments, and Paths of Development in the New World,” Kenneth L Sokoloff and Stanley L Engerman. *Journal of Economic Perspectives* (2000), 14(3): 217-232.

B. Commodities (Feb 6)

- **[Feb 6]** REYES and SAWYER: Chapter 6

C. Import Substitution Industrialization (Feb 8, 13, 15)

- **[Feb 8]** REYES and SAWYER: Chapter 7
- **[Feb 13]** “Problems of Import Substitution: The Chilean Automobile Industry” Leland L Johnson. *Economic Development and Cultural Change* (1967), 15(2): 202-216.
- **[Feb 15]** Catch up – no reading today.

D. Free Trade, Trade Blocs, Fair Trade, and Capital Flows (Feb 20, 22, 27)

- **[Feb 20]** REYES and SAWYER: Chapter 8
- **[Feb 22]** “The Economics of Fair Trade,” Raluca Dragusanu, Daniele Giovannucci, and Nathan Nunn. *Journal of Economic Perspectives* (2014), 28(3): 217-36.
- **[Feb 27]** REYES and SAWYER: Chapter 10

E. Debt Crisis and Inflation (Mar 1, 6)

- **[Mar 1]** REYES and SAWYER: Chapter 11 (skip the appendix)
- **[Mar 6]** REYES and SAWYER: Chapter 12 (only pages 278-284) [You can not do a reaction paper on this small bit of a chapter.]

F. Privatization (Mar 8)

- **[Mar 8]** “Privatization in Latin America: What Does the Evidence Say?,” Alberto Chong and Florencio Lopez-de-Silanes. *Economia* (2004), 4(2): 37-111.

G. The Washington Consensus and Beyond (Mar 20)

- [Mar 20] REYES and SAWYER: Chapter 14
- [Mar 20] “What's the Big Idea? The Third Generation of Policies for Economic Growth,” David L Lindauer and Lant Pritchett. *Economia* (2002), 3(1): 1-39.

**** EXAM 1, IN CLASS (March 22) on macroeconomic half of class.****

II. Microeconomic Issues

A. Poverty and Inequality (Mar 27, 29)

- [Mar 27] REYES and SAWYER: Chapter 13
- [Mar 27] “Living on One Dollar,” iNDIEFLIX <https://www.youtube.com/watch?v=TBjoQilp21Q> 2013. (56 minute documentary).
- [Mar 29] “Latin American Earnings Inequality in the Long Run,” Leticia Arroyo Abad and Pablo Astorga Junquera. *Cliometrica* (2017), 11(3): 349-374.

B. Education, Conditional Cash Transfers, and COVID (April 3, 5)

- [Apr 3] “Evaluating the Impact of Conditional Cash Transfer Programs,” Laura B Rawlings and Gloria M Rubio. *World Bank Research Observer* (2005), 20(1): 30-55.
- [Apr 5] “Short and Long-Run Distributional Impacts of COVID-19 in Latin America,” Nora Lustig, Valentina Martinez Pabon, Guido Neidhöfer, and Mariano Tommasi. *Economia*, Forthcoming.
- [Apr 5] “Why Latin America has been so Badly Hurt by COVID-19.” *The Economist*, May 15 2021. [You can not do a reaction paper on an *Economist* article.]

C. Agriculture, Environment, and Property Rights (Apr 10, 12)

- [Apr 10] “North-South Displacement Effects of Environmental Regulation: The Case of Battery Recycling,” Shinsuke Tanaka, Kensuke Teshima, and Eric Verhoogen. *American Economic Review: Insights* (2022), 4(3): 271-288.
- [Apr 12] “Property Rights and Investment in Urban Slums,” Erica Field. *Journal of the European Economic Association* (2005), 3(23): 279-290.

D. Microfinance, Cooperation, and Informal Labor (Apr 17, 19, 24)

- [Apr 17] “Social Connections and Group Banking,” Dean Karlan. *Economic Journal* (2007), 117(517): 52-84.

- **[Apr 19]** “Real Wealth and Experimental Cooperation: Experiments in the Field Lab,” Juan Camilo Cardenas. *Journal of Development Economics* (2003), 70(2): 263-289.
- **[Apr 24]** “Informality Revisited,” William Maloney. *World Development* (2004), 32(7): 1159–1178.

E. *Discrimination, Crime, and Corruption* (Apr 26, May 1, 3)

- **[Apr 26]** “The Mystery of Discrimination in Latin America,” Alberto Chong and Hugo Ñopo. *Economia* (2008), 8(2): 79-107.
- **[May 1]** “Understanding High Crime Rates in Latin America: The Role of Social and Policy Factors,” Rodrigo Soares and Joana Naritomi. Chapter 1 in *The Economics of Crime: Lessons for and from Latin America*, National Bureau of Economic Research, edited by Di Tella, Edwards, and Schargrodsy (2010). With comment response by Alejandro Gaviria.
- **[May 3]** “Vote-Buying and Reciprocity,” Frederico Finan and Laura Schechter. *Econometrica* (2012), 80(2): 863-881.