

# **Political Economy of Latin American Development**

## **ECON 418L - Spring 2018**

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Place and time: TYD 2108 - Monday, Wednesday, Friday - 10:00am-10:50am.

Office hours: Monday, Wednesday - 11:00am-12:30pm.

### **Course description:**

This class explores the main questions on Latin American economic development. As Bertola and Ocampo (2010) point out, the size and diversity of the region south of the Rio Grande make any generalization about paths of development seem futile. However, this class draws examples from different historical and geographic contexts to put together a cohesive story that highlights important institutional patterns common throughout the region.

The class starts by documenting the divergence between Canada and the US and Latin America, introducing the main theories that attempt to explain it, making emphasis on the institutional theory. It then surveys the region's economic history, diving it in three periods: colonial period, 19<sup>th</sup> century, and the transition to the 20<sup>th</sup> century. The class highlights the interaction between politics and economics by reviewing the region's experience with civil war, dictatorship, macroeconomic crises, populism, and corruption. Finally, the class explores current topics in the region's economic development like the effects of the war on drugs and the role of natural resources.

### **Prerequisite:**

One course with a minimum grade of C- from (ECON321 or STAT400); and one course with a minimum grade of C- from ECON305 or ECON306.

### **Course Materials:**

The class is taught from a collection of readings from articles and chapters from edited volumes which will be available on ELMS whenever possible. It will draw many "case studies" from the following textbook:

Textbook: Skidmore Thomas E., Peter H. Smith and James N. Green [SSG] (2014), Modern Latin America, 8<sup>th</sup> edition, Oxford University Press: New York.

All announcements and lecture notes will be posted on Canvas ([www.elms.umd.edu](http://www.elms.umd.edu))

## **Grading:**

**Discussions (25%):** One required reading will be assigned for each class. **The required readings are in bold font in the list below.** Those readings will be the starting point for the discussions in class. I will randomly choose two students every lecture to summarize the readings and set up the discussion for the rest of the class. Students should aim to frame the contents of the readings within the materials discussed in previous lectures. I will moderate the discussion, expanding on the most important points and introducing related material that was not covered on the required readings. All students are expected to participate on the discussion with questions or statements that help the class fully understand the topics.

Some of the readings will have technical sections; students should aim to understand the main arguments made on the material instead of focusing on the technical parts.

## **Midterm exam 1 (25%)**

## **Midterm exam 2 (25%)**

**Writing Assignment (25%):** 2 page paper (see Van Evera, Stephen. "Memo 6: How to Write a Paper." Guide to Methodology for Students of Political Science. Cambridge, MA: MIT.)

## **Special Accommodations:**

Students who need special accommodations for exams should register with the University's Disability Support Services (DSS) office and must notify me by the second week of the class.

## **Make-ups & Extension policy:**

Make-up exams and extension on problem sets are granted only if students can provide written documentations of valid excuses, as described in the Undergraduate Catalog, found at: <http://www.umd.edu/catalog/index.cfm/show/content.section/c/27/ss/1584/s/1540>

## **Course outline and Readings:**

January 24: Introduction, motivation, details about the class. Introduction to economic growth.

- [Chapter 1] Acemoglu (2008) Introduction to modern economic growth. Princeton University Press.
- Broadberry and Wallis (2017) Growing, shrinking, and long run economic performance: historical perspectives on economic development. NBER working paper.

January 26: Introduction to Latin American economic development.

- SSG, Chapter 1 and 12.
- [Chapter 1] Bulmer-Thomas (2003) The economic history of Latin America since independence. Cambridge University Press.
- Bértola and Ocampo (2012) "Latin America and the World Economy, 1810-2010", in *Bértola and Ocampo (Eds.) Economic development of Latin America since independence*. Oxford University Press

January 29: When did Latin America fall behind?

- **Acemoglu, Johnson, and Robinson (2005) The reversal of fortune. Quarterly Journal of Economics**

January 31: When did Latin America fall behind?

- **Prados de la Escosura (2007) “When did Latin America fell behind?” in Edwards, Esquivel, and Marquez (Eds.) The decline of Latin American economies. University of Chicago Press**
- [Chapter 1] Engerman and Sokoloff (2012) Economic development in the Americas since 1500. Cambridge University Press.

February 2: Theories of development 1: Endowments and geography

- [Chapter 2] Engerman and Sokoloff (2012) Economic development in the Americas since 1500. Cambridge University Press.
- **Nugent and Robinson (2010) Are factor endowments fate? Journal of Iberian and Latin American Economic History**

February 5: Theories of development 2: Culture. Legal origins. Dependency theory.

- Valenzuela, J. S. and A. Valenzuela (1978) Modernization and Dependency: Alternative Perspectives in the Study of Latin American Underdevelopment. Comparative Politics
- [Chapter 2] Acemoglu and Robinson (2012) Why Nations Fail. Crown Publishers.
- **La Porta, Lopez-de-Silanes, and Shleifer (2008) The economic consequences of legal origins. Journal of Economic Literature**

February 7 and 9: Theories of development 3: Institutions.

- [Chapter 3] Acemoglu, Daron and James Robinson (2012), Why Nations Fail. Crown Publishers.
- **Acemoglu, Johnson, and Robinson (2001) The colonial origins of comparative development: an empirical investigation. American Economic Review.**
- Acemoglu, Johnson and Robinson (2005), “Institutions as a fundamental cause of Long Run Growth” in *Aghion and Durlauf (Eds.), Handbook of Economic Growth*
- **Coatsworth, John H. (2008) "Inequality, Institutions, and Economic Growth in Latin America," Journal of Latin American Studies.**

February 12: The relationship between politics and economics.

- **Acemoglu, Daron and James A. Robinson (2000). Political Losers as Barrier to Economic Development. American Economic Review**
- Acemoglu, Johnson, Robinson, Yared (2008) Income and Democracy. American Economic Review
- Acemoglu, Naidu, Restrepo, Robinson (2014) Democracy causes economic development? Online: <http://voxeu.org/article/democracy-and-growth-new-evidence>
- Lizzeri, Alessandro and Nicola Persico, N. (2004), “Why did the elites extend the suffrage? Democracy and the scope of government, with an application to Britain’s Age of Reform”, Quarterly Journal of Economics

- [Chapters 1-3] Acemoglu and Robinson (2006), *Economic Origins of Dictatorship and Democracy*, Cambridge University Press
- Llavador and Oxby (2005) Partisan competition, growth, and the franchise. *Quarterly Journal of Economics*

February 14 and 16: The relationship between politics and economics

- SSG, Chapter 13.
- **[Chapter 1] North, Wallis, Webb, and Weingast (2010) In the shadow of violence.**
- [Chapter 4] Engerman and Sokoloff (2012) *Economic development in the Americas since 1500*. Cambridge University Press.
- Fergusson, Leopoldo (2012). *The Political Economy of Rural Property Rights and the Persistence of the Dual Economy*. *Journal of Development Economics*

February 19 and 21: Colonial origins.

- **Dell (2010) The persistent effects of Peru's mining Mita. *Econometrica*.**
- **Acemoglu, D., C. García-Jimeno, and J. A. Robinson (2012). "Finding Eldorado: Slavery and Long-Run Development in Colombia", *Journal of Comparative Economics***
- [Chapter 4: Conquest society] Lockhart and Schwartz (1983) *Early Latin America: A History of Colonial Spanish America and Brazil*. Cambridge University Press.
- Coatsworth (2008) Political economy and economic organization. In *Bulmer-Thomas, Coatsworth, and Cortes Conde (Eds.) The Cambridge Economic History of Latin America, Vol. II*. Cambridge University Press
- Dye (2008) The institutional framework. In *Bulmer-Thomas, Coatsworth, and Cortes Conde (Eds.) The Cambridge Economic History of Latin America, Vol. II*. Cambridge University Press
- Monteiro (2008) Labor systems. In *Bulmer-Thomas, Coatsworth, and Cortes Conde (Eds.) The Cambridge Economic History of Latin America, Vol. II*. Cambridge University Press

February 23 and 26: Markets and states after independence

- **Safford (1992) The Problem of Political Order in Early Republican Spanish America. *Journal of Latin American History***
- **Centeno, M. (1997) Blood and Debt: War and Taxation in Nineteenth-Century Latin America. *The American Journal of Sociology***
- Mahoney, J. (2001) "Radical, Reformist and Aborted Liberalism: Origins of National Regimes in Central America," *Journal of Latin American Studies*
- Sokoloff and Zolt (2012) Inequality and the evolution of taxation. In *Engerman and Sokoloff (Eds.) Economic development in the Americas since 1500*. Cambridge University Press
- [Chapter 4] Bulmer-Thomas (2003) *The economic history of Latin America since independence*. Cambridge University Press

February 28 and March 2: Markets and states after independence 2

- SSG, Chapter 12.
- Galiani, Heyman, Dabus, and Tohmé (2008) On the emergence of public education in land-rich economies. *Journal of Development Economics*

- Bobonis and Morrow (2014) Labor coercion and the accumulation of human capital. *Journal of Development Economics*
- Haber S. (2008) “Political Institutions and Financial Development: Evidence from the Political Economy of Bank Regulation in the United States and Mexico.” In *Haber, North, and Weingast (Eds.) Political Institutions and Financial Development, Stanford University Press*
- **Perez, S. (2017) The (South) American Dream: Mobility and outcomes of first and second-generation immigrants in 19<sup>th</sup> century Argentina. *Journal of Economic History*.**
- Rocha, Ferraz, and Soares (2017) Human capital persistence and development. *American Economic Journal: Applied Economics*

March 5 and 7: The US and Canada as a benchmark.

- North, Summerhill, and Weingast (2000) Order, disorder, and economic change: Latin America versus North America. In *Bueno de Mesquita and Root (Eds.) Governing for prosperity. Yale University Press*
- **Lamoreaux and Wallis, “States, Not Nation: The Sources of Political and Economic Development in the Early United States,” Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise, American Capitalism Working Papers**
- [Chapter 12] Acemoglu and Robinson (2012) *Why Nations Fail*. Crown Publisher.
- Lu and Wallis (2017) Banks, Politics, and Political Parties: From Partisan Banking to Open Access in Early Massachusetts. In Lamoreaux and Wallis (Eds.) *Organizations, Civil Society, and the roots of development*. The University of Chicago Press
- Hilt, E. (2017) Corporation Law and the Shift toward Open Access in the Antebellum United States. In Lamoreaux and Wallis (Eds.) *Organizations, Civil Society, and the roots of development*. The University of Chicago Press
- Hughes (1977) American economic growth: imported or indigenous? What difference did the beginning make? *American Economic Review*
- Adelman, J. (1994). *Frontier Development: Land, Labor, and Capital on the Wheatlands of Argentina and Canada*. Oxford University Press.

March 9, 12, and 14: Elite coordination and competition.

- **Mazzuca, S. and J. Robinson (2009) Political Conflict and Power Sharing in the Origins of Modern Colombia. *Hispanic American Historical Review***
- Haber, Stephen, Armando Razo and Noel Maurer (2003) *The Politics of Property Rights: Political Instability, Credible Commitments, and Economic Growth in Mexico*. Cambridge University Press
- Acemoglu, Bautista, Querubín, and Robinson (2008) Economic and Political Inequality in Development: The Case of Cundinamarca, Colombia. In *Helpman, E. (Ed.), Institutions and Economic Performance, Harvard University Press*.
- Dell (2012) Path dependence in development: Evidence from the Mexican Revolution. Working paper
- **Yeager, G. (1991) Elite Education in Nineteenth-Century Chile. *The Hispanic American Historical Review***

- **Maurer and Gomberg (2005) When the State is Untrustworthy: Public Finance and Private Banking in Porfirian Mexico. Journal of Economic History.**

### **March 16: Midterm 1**

March 26 and 28: Structural transformation and globalization.

- SSG, Chapter 12.
- [Chapters 7 and 9] Bulmer-Thomas (2003) The economic history of Latin America since independence. Cambridge University Press.
- Hirschman, Albert O. (1971), "The Political Economy of Import-Substituting Industrialization in Latin America". Chapter 3 of the book "A bias for hope: Essays on development and Latin America." Yale University Press.
- Perez, S. (2017) Railroads and the rural to urban transition: Evidence from 19<sup>th</sup> century Argentina. Working paper
- E. Cardenas (2000) The Process of Accelerated Industrialization in Mexico, 1929–82. In *Cardenas, Ocampo, and Thorp (Eds.) An Economic History of Twentieth-Century Latin America. Palgrave-MacMillan*
- French-Davis et. al. (2000) The Industrialization of Chile during Protectionism, 1940–82. In *Cardenas, Ocampo, and Thorp (Eds.) An Economic History of Twentieth-Century Latin America. Palgrave-MacMillan*
- E. Frankema (2009) The expansion of mass education in 20<sup>th</sup> century Latin America: A global comparative perspective. *Journal of Iberian and Latin American Economic History*

### **March 30: No class**

April 2 and 4: (Incomplete) Democratization

- SSG, Chapter 13.
- **Baland, Jean Marie and James A. Robinson (2008). "Land and Power: Theory and Evidence from Chile", American Economic Review, Vol. 98, No. 5, pp. 1737–1765.**
- **Hagopian, F. (1990) Democracy by Undemocratic Means? Elites, Political Pacts, and Regime Transition in Brazil. Comparative Political Studies**

April 6, 9 and 11: Populism and clientelism

- **Kaufman and Stallings (1991) The political economy of Latin American populism. In Dornbusch and Edwards (Eds.) The Macroeconomics of Populism in Latin America, University of Chicago Press.**
- Hsieh, Chang-Tai, E. Miguel, D. Ortega, and F. Rodriguez (2008). "The Price of Political Opposition: Evidence from Venezuela's Maisanta." *American Economic Journal: Applied Economics*
- J. Robinson (2005) A normal Latin American country? A perspective on Colombian development. Working paper
- Gonzalez, F. and M. Prem (2017) Losing your dictator: firms during political transition. Working paper
- Mazzuca, Sebastian (2013) "The Rise of Rentier Populism", *Journal of Democracy*

April 13, 16 and 18: Popular uprisings and the “Iron Law of Oligarchy.”

- SSG, Chapters 4 (Central America) and 5 (Cuba)
- **Booth, J. (1991) Socioeconomic and Political Roots of National Revolts in Central America. Latin American Research Review**
- LeGrand, C. (1986) *Frontier Expansion and Peasant Protest in Colombia, 1850-1936*. University of New Mexico Press
- **Lopez-Uribe, M. (2017) Buying off the Revolution: Evidence from the Colombian National Peasant Movement, 1957-1985. Working paper**  
[https://www.dropbox.com/s/m96x3ja9bccytum/BOR\\_29\\_10\\_2017.pdf?dl=0](https://www.dropbox.com/s/m96x3ja9bccytum/BOR_29_10_2017.pdf?dl=0)
- Whitehead, L. (2003) “The Bolivian National Revolution: A Twenty-First Century Perspective” in *Grindle and Domingo (Eds.) Proclaiming Revolution: Bolivia in Comparative Perspective*, Harvard University Press.

### **April 20: Midterm 2**

April 23, 25, and 27: Contemporary issues 1: Corruption, Resource Curse.

- **McMillan, John and Pablo Zoido (2004). “How to Subvert Democracy: Montesinos in Peru”, in Journal of Economic Perspectives**
- Ferraz, Claudio and Frederico Finan (2011). “Electoral Accountability and Corruption: Evidence from the Audits of Local Governments”, *American Economic Review*
- Monteiro, Joana and Claudio Ferraz (2010). “Does Oil Make Leaders Unaccountable? Evidence from Brazil’s Offshore Oil Boom”, Working Paper
- Dube and Vargas (2013) *Commodity Price Shocks and Civil Conflict: Evidence from Colombia*. *Review of Economic Studies*

April 30 and May 2 and 4: Weak states and the War on Drugs

- SSG, Chapter 16.
- Sviatschi, M. (2017) *Making a Narco: Childhood Exposure to Illegal Labor Markets and Criminal Life Paths*. Working paper
- Castillo, Restrepo, and Mejia (2016) *Scarcity without Leviathan: The Violent Effects of Cocaine Supply Shortages in the Mexican Drug War*. Working paper
- **Restrepo and Mejia (2015) The economics of the war on illegal drug production and trafficking. Working paper**
- Dell, M. (2015) *Trafficking networks and the Mexican drug war*. *American Economic Review*