

Department of Food and Resource Economics and  
Center for Latin American Studies  
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McCarty Hall B, G087

AEB 6651  
Spring 2007

**Latin American Economic Development and the Role of Agriculture**

Tuesdays, 9:35-10:25 10:40-11:30 GRI 376 Thursdays, 10:40-11:30, NPB1200

Office hours - Tuesday: 11:30-12:30 p.m., Thurs: 11:30-12:30p.m., or by appt.

**Course Description:**

Economic theory and historical accounts are combined in an attempt to understand the various forces that have shaped economic and agricultural development in Latin America. Latin America's recent economic performance is the starting point for discussion. Then, we will examine how various theories of economic and agricultural development have influenced policies. The different roles of market, government and institutions in general will be discussed in the context of contributing towards development of agriculture and other sectors of the economy. In the last part of the class we study the specific microeconomic mechanisms that underlie welfare improvement in developing countries.

Initially, we will set the context and identify the main themes for the course. Then, we will have eight modules. The course modules are:

- Concept and Measures of Development
- Growth and Development in Latin America
- Contending Theories of Economic Development in Latin America
- Contemporary Trade and Trade Agreements
- Development and the Environment
- Theories of Agricultural Development, Roles of Agriculture and Policy
- Markets, Market Failure and Institutionalism
- The Curse and Opportunity of Resource Riches
- Accelerating and Sustaining Equitable Economic and Agricultural Development in the 21<sup>st</sup> Century

In each module, we will explore key conceptual arguments about these development strategies or challenges and link them to specific countries or regions of Latin America. The aim of the course is to provide a sense of the common themes and struggles of economic development experiences within Latin America, yet also to bring out the diversity of the context in which these struggles take place.

**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 in M.P. Todaro, Economic Development, 8th ed. (New York, Longman, 2002).

**Course Requirements:**

1. Three short papers (40% of grade): The purpose of these papers is to allow students to explore and express their views on key issues within the course material. Students will be given questions, and will be asked to focus their remarks around a particular development issue that they will choose (perhaps not first choice) at the beginning of the term. These short papers are graded on a full credit, half credit, zero-credit basis, and require coherent arguments to receive full credit. Students who receive less than full credit will be given the opportunity to rewrite thought papers for full credit. **Due dates will be discussed in class.**
2. One class presentation (10% of grade). Students are asked to work with another student and organize a presentation of one or two of the assigned papers. Each student in the pair should present about half of the material. The students are expected to work together to coordinate their presentation. It is not only acceptable but encouraged to combine this effort in some way with the exposition of one of the critical essays, so that the deeper understanding you gain from working on the presentation is incorporated into your writing efforts.
3. Two exams or One Exam and One Final Paper (50% of grade). The exam is a take-home assignment with a relatively short turn-around time for completion (1-3 days).

**Readings:**

The following books are suggested for purchase:

1. Patrice Franko, *The Puzzle of Latin American Economic Development*, 2<sup>nd</sup> edition, (Lanham, MD: Rowman and Littlefield Publishers, 2003).
2. Carl K. Eicher and John M. Staatz, eds., *International Agricultural Development*, 3rd edition, (Baltimore: Johns Hopkins University Press, 1998).

**Class Schedule**

**I. Introduction to Course – Concept and Measures of Economic Development**

\*Franko, Ch 1;

United Nations Development Program, *Human Development Report 2006, 1997*, (New York: Oxford University Press.

World Bank, *World Development Report 1997*, (New York: Oxford University Press, 1997)

Sen, A., “A Sociological Approach to the Measurement of Poverty: A Reply to Professor Townsend,” *Oxford Economic Papers* (December 1985).

\*Sen, A., "The Concept of Development," Ch.1. in Handbook of Development Economics, Vol.1., pp. 9-26.

## II. **Growth and Development in Latin America**

\*Franko, Ch 1-2.

\*David Lindauer and Lant Pritchett "What's the Big Idea? The Third Generation of Policies for Economic Growth," *Economia*, Fall (2002): 1-39.

## III. **Contending Theories of Development in Latin America**

Franko, Ch 3-6.

\*Albert Fishlow, "The State of Latin American Economies, in Interamerican Development Bank, *Economic and Social Progress in Latin America*, 1985, pp. 123-145.

\*Charles Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries," *World Development*, 28, 5 (2000): 789-804.

## IV. **Contemporary Trade and Trade Agreements**

\*Franko, Ch 8;

Rafael Tamayo-Flores, "Mexico in the Context of the North American Integration: Major Regional Trends and Performance of Backward Regions," *Journal of Latin American Studies*, 33 (2001): 377-407.

## V. **Development and the Environment**

Siamwalla, A. "The Relationship between Trade and Environment, with Special Reference to Ariculture," in *Sustainability, Growth and Poverty Alleviation: A Policy and Agroecological Perspective* (SGPA), JHUPress, Baltimore 1997.

Barbier, E. "Macroeconomic and Sectoral Policies, Natural Resources, and Sustainable Agricultural Growth," in SGPA (above), Ch 9.

Reardon, T. and S. Vosti. "Policy Analysis of Conservation Investments: Extensions of Traditional Technology Adoption Research," in SGPA, Ch 10.

Lipton, M. "'Exogenous' Interest Rates, Technology, and Farm Prices versus 'Endogenous' Conservation Incentives and Policies," in SGPA, Ch 11.

\*Stiglitz, J., "Markets, Market Failures and Development," Ch 6 E/S.

## VI. **Theories of Agricultural Development and Roles of Agriculture in Policy**

Timmer, C.P., "The Agricultural Transformation." E/S Ch 7.

\*Ruttan, V., "Models of Agricultural Development." Ch 9 E/S.

\*Timmer, C.P., "The Macroeconomics of Food and Agriculture," Ch 11 E/S.

Dornbush, R., "The Case for Trade Liberalization," Ch 12 E/S.

\*Bates, R.H., "The Political Framework for Agricultural Policy Decisions," Ch 14 E/S.

Sen, A. "Food, Economics and Entitlements," Ch 12 E/S.

## **VII. The Curse and Opportunity of Resource Riches: Agricultural and Natural Resource Exports and Development**

\*Stanley Engerman and Kenneth Sokoloff, "Factor Endowments, Inequality, and Paths of Development among New World Economies," *Economia*, Fall (2002): 41-109.

\*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.

\*Barham, B., M. Carter and W. Sigelko. 1995. "Agro-export Production and Peasant Land Access Examining the Dynamic between Adoption and Accumulation." *Journal of Development Economics* 46: 85-107.

Robert G. Williams, "Part Two: Cattle", *Export Agriculture and the Crisis in Central America*, (Chapel Hill, University of North Carolina Press: 1986): 77-152.

\*"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.

\*\*\*\* Short paper 2 due \*\*\*\*

**Presentations -- TBA**

## **VIII. Accelerating and Sustaining Equitable Economic and Agricultural Development in the 21<sup>st</sup> Century**

### **A. Big Ideas Revisited (0.5 Week)**

Gore and Lindauer and Pritchett (see weeks 2-3 above)

De Janvry, A., N. Key & E. Sadoulet, 1997. "Agricultural and Rural Development Policy in Latin America: New Directions and New Challenges." Working Paper No. 815. Berkeley, CA: Dept. of Agric. & Res. Econ., Univ. of California, Berkeley.

### **B. Agrarian Structure: Size of Farm, Land Tenure, Land Reform**

Hayami, Y., "The Peasant in Economic Modernization." Ch 18 E/S

Binswanger, H.P. & M. Elgin, "Reflections on Land Reform and Farm Size." Ch 19 E/S

Alain de Janvry, Elisabeth Sadoulet, and Wendy Wolford, "The Changing Role of the State in Latin American Land Reforms" in *Access to Land, Rural Poverty, and Public Action*, ed. by Alain de Janvry, Gustavo Gordillo, Jean-Philippe Platteau, and Elisabeth Sadoulet, (Oxford, Oxford University Press, 2000) 279-303.

Boucher, Barham, and Carter, "The Impact of "Market-friendly" Reforms on Credit and Land Markets in Honduras and Nicaragua," *World Development XXX*

### **C. Human Capital and Women in Development**

Franko, Ch 14.

Schultz, T.W., "Investing in People." Ch 20 E/S

Buvinic, M., "Projects for Women: Lessons From Their Misbehavior," Ch 21 E/S

\*\*\*\* **Short paper 3 due** \*\*\*\*

### **D. Technical Change: Who Gains and Who Loses?**

Timmer, C.P. "Choice of Technique in Rice Milling on Java; Comment" and Reply". Ch 30 E/S.

Paarlberg, R. 2001. "The Challenge of the GM Crop Revolution" and "Classifying Policies Towards GM-Crops and Foods." In *The Politics of Precaution: Genetically Modified Crops in Developing Countries* (PPGM), Baltimore: Johns Hopkins University Press, pp. 1-43.

Paarlberg, R. 2001. "The Courts Intervene in Brazil." In *The Politics of Precaution: Genetically Modified Crops in Developing Countries*, Baltimore: Johns Hopkins University Press, pp. 67-92.

Pinstrup-Andersen, P. and P. Hazell. 1985. "The Impact of the Green Revolution and Prospects for the Future". *Food Reviews International*, 1(1), pp. 1-22

### **E. Agricultural Credit and Microfinance**

Barham, B., S. Boucher and M.R. Carter. 1996. "Credit Constraints, Credit Unions, and Small-Scale Producers in Guatemala." *World Development* 24(5):793-806.

Besley, T. "How Do Market Failures Justify Interventions in Rural Credit Markets?," Ch 23 E/S.

Robinson, M.R. "Microfinance: The Paradigm Shift From Credit Delivery to Sustainable Financial Institutions" Ch. 24 E/S

\*\*\*\* **Final Paper Due** \*\*\*\*

\*\*\*\* **Final Exam** \*\*\*\*