

# The Economics of Human Capital in Latin America

Yale University

ECON 462 / EP&E 228 / LAST 410 / GLBL 316 – Spring 2016

Instructor: Doug McKee

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Class: Wednesday 1:30–3:20, WLH 209

Office Hours: By appointment at 28 Hillhouse Ave., Room 308

Economists have long understood the importance of physical capital in explaining the development process, but more recently we have also studied the role of a society's human capital, as embodied by its people's education, skills, and health. We now know that increasing human capital is one of the most effective ways to stimulate economic growth and reduce poverty in the long term. In this class we will examine the determinants of human capital, the costs and benefits of policies designed to increase human capital, and the function of human capital in a variety of economic contexts including the labor market, immigration, child investment, intra-household bargaining, foreign direct investment, and even the drug trade. We will focus our analysis on Latin America, a diverse and growing region that has been at the forefront of implementing policies to improve human capital. These range from programs that pay parents to keep their children in school to universal health care and school vouchers. The course will emphasize reading articles from the empirical economics literature and in depth discussion of their theories, methods, and results.

## Grades:

Your grade will be composed of seven parts:

### 1. Class participation: (10%)

This is a seminar; you are required to attend each class prepared to discuss the assigned readings. As part of this, you will fill in a worksheet for each of the week's papers noting the paper's contribution, empirical approach, and limitations. These worksheets are required, but not graded. They are due on Tuesday night before Wednesday classes.

### 2. Lead discussion of one or two of the assigned papers: (10%)

Each student (or pair of students, depending on size of class) will prepare a 15–20 minute presentation of one or two of the papers assigned and will lead a discussion of the paper(s). Discussion should center on the contribution of the paper(s), issues with the analysis, relationship with other course readings, and any questions that are left open. These student-led discussions will be graded by the following class.

3. Identify a Research Question (1 page) (10%)

Each student will identify a research question related to human capital in Latin America. These one page papers will motivate your question's importance and provide some intuition for a possible answer. You should find and discuss two or three related academic papers when making your case. I recommend perusing the entire syllabus for ideas.

Due: February 10, in class

4. Short (20m) quiz on empirical methods (5%)

You will be reading papers that use a variety of empirical methods including plain vanilla regression, instrumental variables, regression discontinuity, and difference-in-differences. You will learn how to interpret results and critique application of these methods.

Date: February 17, in class

5. Mid-term draft of a proposal of an empirical project (5–7 pages) (25%)

Each student will turn their research question into the first half of a research proposal. This should contain a literature review that places the project in context, a fleshed out hypothesis, and an economic model that formalizes your intuition. We will discuss my expectations in detail during class.

Due: Friday, March 11, 5pm

6. Research proposal poster presentation (10%)

During the last week of classes (but not during class time), we will have a poster session where you will show what you've been working on to the rest of the class. Participation is required, but not graded.

Date: Evening of Wednesday, April 27

7. Final research proposal (15–20 pages) (30%)

The final paper will incorporate any feedback you receive on your midterm draft and your poster. You will identify a primary data source and specify a detailed empirical approach to answering your research question. Students are encouraged to do some preliminary data description and analysis, but this is not required.

Due: Thursday, May 5, 5pm

## Readings

**IMPORTANT:** The titles of the articles are clickable links to the online pdf's.

### Week 1 (1/20): Introduction

Moreno, Luis Alberto (2011) [The Decade of Latin America and the Caribbean: A Real Opportunity](#) published by the Inter-American Development Bank, 153 pp.

[“A special report on Latin America: A Latin American decade?”](#) *The Economist*, September 9, 2010.

[“Slowdown in China Bruises Economy in Latin America,”](#) *The New York Times*, December 16, 2014.

## PART I: SCHOOLING

### Week 2 (1/27): School Quality

Watch [How to Interpret Regression Tables](#)

Urquiola, Miguel and Valentina Calderón (2006) [“Apples and oranges: Educational enrollment and attainment across countries in Latin America and the Caribbean,”](#) *International Journal of Educational Development*, Vol. 26, pp. 572–590.

Glewwe, Paul W., Eric A. Hanushek, Sarah D. Humpage, and Renato Ravina (2013) [“School Resources and Educational Outcomes in Developing Countries: A Review of the Literature from 1990 to 2010](#) in *Education Policy in Developing Countries*, Chicago, University of Chicago Press, pp. 13–64.

Llach, Juan, Cecilia Adrogué, and María Gigaglia (2009) [“Do Longer School Days Have Enduring Educational, Occupational, or Income Effects? A Natural Experiment in Buenos Aires, Argentina,”](#) *Economía*, Vol. 10, pp. 1–43.

Urquiola, Miguel (2006) [“Identifying Class Size Effects in Developing Countries: Evidence from Rural Bolivia,”](#) *The Review of Economics and Statistics*, Vol. 88, No. 1, pp. 171–177. (OPTIONAL)

Ripley, Amanda (2010) [“What Makes a Great Teacher?”](#) *The Atlantic*, January/February. (OPTIONAL)

Hanushek, Eric (1995) [“Interpreting Recent Research on Schooling in Developing Countries,”](#) *World Bank Research Observer*, Vol. 10, No. 2, pp. 227–246. (OPTIONAL)

### Week 3 (2/3): School Choice

Neal, Derek (2002) “[How Vouchers Could Change the Market for Education](#),” *Journal of Economic Perspectives*, Vol. 16, No. 4, pp. 25–44.

Shieh, Chang-Tai and Miguel Uquiola (2006) “[The effects of generalized school choice on achievement and stratification: Evidence from Chile’s voucher program](#),” *Journal of Public Economics*, Vol. 90, pp. 1477–1503.

Angrist, Joshua et al (2006) “[Long-term educational consequences of secondary school vouchers: Evidence from administrative records in Colombia](#),” *American Economic Review*, Vol. 96, No. 3, pp. 847–862.

Abdulkadiroglu, Atila, Parag Pathak, and Christopher Walters (2015) “[School Vouchers and Student Achievement: First-Year Evidence from the Louisiana Scholarship Program](#),” *NBER Working Paper*, No. 21839. (OPTIONAL)

## **PART II: HEALTH**

### Week 4 (2/10): Policies for Improving Child Health

Watch [An Intuitive Introduction to Difference-in-Differences](#)

Watch [An Intuitive Introduction to Regression Discontinuity](#)

Maluccio, John et al (2009) “[The Impact of Improving Nutrition During Early Childhood on Education among Guatemalan Adults](#),” *The Economic Journal*, Vol. 119, pp. 734–763.

Stifel, David and Harold Alderman (2006) “[The “Glass of Milk” subsidy program and malnutrition in Peru](#),” *World Bank Economic Review*, Vol. 20, No. 3, pp. 421–448.

Bharadwaj, Prashant, Katrina Velleson Loken, and Christopher Neilson (2013) “[Early Life Health Interventions and Academic Achievement](#),” *American Economic Review*, Vol. 103 No. 5, pp. 1862–1891.

Prina, Silvia and Heather Royer (2014) “[The Importance of Parental Knowledge and Social Norms: Evidence from Weight Report Cards in Mexico](#),” *Journal of Health Economics*, Vol. 37, pp. 232–247. (OPTIONAL)

### Week 5 (2/17): Health Insurance

Frenk, Julio et al (2006) “[Comprehensive reform to improve health system performance in Mexico](#),” *Lancet*, Vol. 368, pp. 1524–1534.

Barros, Rodrigo (2008) “[Wealthier But Not Much Healthier: Effects of a Health Insurance Program for the Poor in Mexico](#),” Working Paper, pp. 1–46.

Dow, William H. and Kammi K. Schmeer (2003) “[Health insurance and child mortality in Costa Rica](#),” *Social Science and Medicine*, Vol. 57, pp. 975–986.

## PART III: OTHER ASPECTS OF HUMAN CAPITAL

### Week 6 (2/24): Parental Investment in Human Capital of Children

- Thomas, Duncan (1990) “[Intra-Household Resource Allocation: An Inferential Approach,](#)” *Journal of Human Resources*, Vol. 25, No. 4, pp. 635–664.
- Rangel, Marcos (2006) “[Alimony rights and intrahousehold allocation of resources: Evidence from Brazil,](#)” *Economic Journal*, Vol. 116, pp. 627–658.
- Lam, David and Suzanne Duryea (1999) “[Effects of schooling on fertility, labor supply, and child investment in Brazil,](#)” *Journal of Human Resources*, Vol. 34, No. 1, pp. 160–192. (OPTIONAL)
- Thomas, Duncan (1994) “[Like Father, Like Son; Like Mother, Like Daughter: Parental resources and child height,](#)” *Journal of Human Resources*, Vol. 29, No. 4, pp. 950–988. (OPTIONAL)
- McKenzie, David (2012) “[Dads and Development,](#)” *Development Impact*. (OPTIONAL)

### Week 7 (3/2): Human Capital and Migration

Watch [An Intuitive Introduction to Instrumental Variables](#)

- Borjas, George (1987) “[Self-Selection and the Earnings of Immigrants,](#)” *American Economic Review*, Vol. 77, No. 4, pp. 531–553.
- Chiquiar, Daniel and Gordon Hanson (2005), “[International Migration, Self-Selection, and the Distribution of Wages: Evidence from Mexico and the United States,](#)” *Journal of Political Economy*, Vol. 113, No. 2, pp. 239–281.
- Hildebrandt, Nicole and David J. McKenzie (2005) “[The Effects of Migration on Child Health in Mexico,](#)” *Economia*, Fall, pp. 257–290.
- Rubalcava, Luis et al (2008) “[The healthy migrant effect: New findings from the Mexican family life survey,](#)” *American Journal of Public Health*, Vol. 98, No. 1, pp. 78–84. (OPTIONAL)
- Caponi, Vincenzo (2011), “[Intergenerational Transmission of Abilities and Self-Selection of Mexican Immigrants,](#)” *International Economic Review*, Vol. 52, No. 2, pp. 523–547. (OPTIONAL)

Week 8 (3/9): Conditional Cash Transfer Programs

Parker, Susan and Graciela Teruel (2005) “[Randomization and Social Program Evaluation: The Case of Progresa,](#)” *The ANNALS of the American Academy of Political and Social Science 2005*, Vol. 599, pp. 1-22.

Bursztyn, Leonardo and Lucas C. Coffman (2012) “[The Schooling Decision: Family Preferences, Intergenerational Conflict, and Moral Hazard in the Brazilian Favelas,](#)” *Journal of Political Economy*, Vol. 120, No. 3.

Barrera-Osorio, Felipe, Marianne Bertrand, Leigh Linden, and Francisco Perez-Calle (2011) “[Improving the Design of Conditional Transfer Programs: Evidence from a Randomized Education Experiment in Colombia,](#)” *American Economic Journal: Applied Economics*, Vol 3, pp. 167–195. (OPTIONAL)

Behrman, Jere, Susan Parker, Petra Todd, and Kenneth Wolpin (2013) “[Aligning Learning Incentives of Students and Teachers: Results from a Social Experiment in Mexican High Schools,](#)” PIER Working Paper 13-004. (OPTIONAL)

Week 9 (3/30): Wage Returns to Human Capital

Gertler, Paul et al (2014) “[Labor market returns to an early childhood stimulation intervention in Jamaica,](#)” *Science*, Vol. 344, pp. 998–1001.

Thomas, Duncan and John Strauss (1997) “[Health and wages: Evidence on men and women in urban Brazil,](#)” *Journal of Econometrics*, Vol. 77, No. 1, pp. 159–185.

Jensen, Robert (2010) “[The \(Perceived\) Returns to Education and the Demand for Schooling,](#)” *Quarterly Journal of Economics*, Vol. 125, No. 2, pp. 515–548.

Week 10 (4/6): Effectiveness of Infrastructure Investment

Watch [An Intuitive Introduction to Propensity Score Matching](#)

Paxson, Christine and Norbert Schady (2002) “[The allocation and impact of social funds: Spending on school infrastructure in Peru,](#)” *World Bank Economic Review*, Vol. 16, No. 2, pp. 297–319.

Newman, John et al (2002) “[An impact evaluation of education, health, and water supply investments by the Bolivian Social Investment Fund,](#)” *World Bank Economic Review*, Vol. 16, No. 2, pp. 241–274.

Week 11 (4/13): Foreign Direct Investment and Trade

- Atkin, David (2012) “Endogenous Skill Acquisition and Export Manufacturing in Mexico,” Working paper.
- Attanasio, Orazio, Pinelopi K. Goldberg, and Nina Pavcnik (2004) “Trade reforms and wage inequality in Colombia,” *Journal of Development Economics*, Vol. 74, No. 2, pp. 331–366.
- Kruger, Diana (2007) “Coffee production effects on child labor and schooling in rural Brazil” *Journal of Development Economics*, Vol. 82, No. 2, pp. 448–463. (OPTIONAL)
- Cascio, Elizabeth and Ayushi Narayan (2015) “Who Needs a Fracking Education? The Educational Response to Low-Skill Biased Technological Change” *NBER Working Paper*, No. 21359. (OPTIONAL)

Week 12 (4/20): Human Capital and the Informal Sector

- La Porta, Rafael and Andrei Schleifer (2014) “Informality and Development,” *Journal of Economic Perspectives*, Vol. 28, Number 3, pp. 109–126.
- Monteiro, Joana C. M. and Juliana J. Assunção (2012) “Coming out of the shadows? Estimating the impact of bureaucracy simplification and tax cut on formality in Brazilian microenterprises,” *Journal of Development Economics*, Vol. 99, No. 1, pp. 105–115.
- de Mel, Suresh et al (2009) “Measuring microenterprise profits: Must we ask how the sausage is made?” *Journal of Development Economics*, Vol. 88, No. 1, pp. 19–31.
- McKenzie, David and Christopher Woodruff (2015) “Business Practices in Small Firms in Developing Countries,” *NBER Working Paper*, No. 21505. (OPTIONAL)

Week 13 (4/27): Human Capital and the Drug Trade

- Angrist, Joshua and Adriana Kugler (2008) “Rural Windfall or a New Resource Curse? Coca, Income, and Civil Conflict in Colombia,” *Review of Economics and Statistics*, Vol. 90, No. 2, pp. 191–215.
- Dammert, Ana (2008) “Child labor and schooling response to changes in coca production in rural Peru,” *Journal of Development Economics*, Vol. 86, No. 1, pp. 164–180.
- Dell, Melissa (2011) “Trafficking Networks and the Mexican Drug War,” Working Paper.
- Lindo, Jason and Maria Padilla-Romo (2015) “Kingpin Approaches to Fighting Crime and Community Violence: Evidence from Mexico’s Drug War,” *NBER Working Paper*, No. 21171. (OPTIONAL)