

# The Economics of Human Capital in Latin America

Yale University  
ECON 462 01 – Spring 2010

Instructor: Doug McKee  
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Class: Tuesdays 1:30–3:20, William L Harkness Hall 209

Office Hours: Fridays 1:45–3:45 and by appointment at 27 Hillhouse Ave., Room B03

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, inequality, and even the drug trade. We will focus our analysis on Latin America, a diverse and growing region that has been on 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 four parts.

### Class participation: (20%)

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 will not be graded.

### Lead discussion of one or two of the assigned papers: (20%)

Each student (or pair of students, depending on size of class) will prepare a 10–20 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.

### Mid-term draft of a proposal of an empirical project (5–7 pp.): (20%)

Each student will identify a research question related to human capital in Latin America and provide some economic intuition for how to answer it. Proposals should place the project in context by citing and summarizing related literature. They should also specify an appropriate economic model. Due: March 2, in class

Final research proposal (15–20 pp.): (40%)

The final paper should flesh out the draft proposal by identifying a primary data source and specifying an empirical approach in detail. Students are encouraged to do some preliminary data description and analysis, but this is not required. Due: May 3, 5pm

## Readings:

### Week 1: Introduction

Inter-American Development Bank (2000) “Latin America at the Turn of a New Century,” in *Development beyond Economics: Economic and Social Progress in Latin America, Annual Report*, Chapter 1, pp. 1-36.

## PART I: SCHOOLING

### Week 2: School Quality

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.

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

### Week 3: School Choice

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.

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

## PART II: HEALTH

### Week 4: Policies for Improving Child Health

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.

### Week 5: Health Care

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.

## PART III: OTHER ASPECTS OF HUMAN CAPITAL

### Week 6: Parental Investment in Human Capital of Children

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.

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.

### Week 7: Human Capital and Migration

Hildebrandt, Nicole and David J. McKenzie (2005) “The Effects of Migration on Child Health in Mexico,” *Economia*, Fall, pp. 257–290.

Borjas, George (1987) “Self-Selection and the Earnings of Immigrants,” *American Economic Review*, Vol. 77, No. 4, pp. 531–553.

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.

### Week 8: 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.

Gitter, Seth and Bradford Barham (2007) “Women’s Power, Conditional Cash Transfers, and Schooling in Nicaragua,” *World Bank Economic Review*, Vol. 22, No. 2, pp. 271–290.

### Week 9: Wage Returns to Human Capital

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.

Singh, Ram (1992) “Underinvestment, Low Economic Returns to Education, and the Schooling of Rural Children: Some Evidence from Brazil,” *Economic Development and Cultural Change*, Vol. 40, No. 3, pp. 645–664.

### Week 10: Effectiveness of Infrastructure Investment

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: Poverty and Inequality

Binder, Melissa and Christopher Woodruff (2002) “Inequality and intergenerational mobility in schooling: The case of Mexico,” *Economic Development and Cultural Change*, Vol. 50, No. 2, pp. 249–267.

Perry, Guillermo et al (2006) “From Vicious to Virtuous Circles,” in *In Poverty Reduction and Growth: Virtuous and Vicious Circles*, World Bank.

Mead, Rebecca. (2003) “Dressing for Lula,” in *The New Yorker*, March 17, pp. 82-91.

### Week 12: Human Capital and the Informal Sector

Maloney, William (1999) “Does Informality Imply Segmentation in Urban Labor Markets? Evidence from Sectoral Transitions in Mexico,” *World Bank Economic Review*, Vol. 13, No. 2, pp. 275–302.

Maloney, William (2004) “Informality Revisited,” *World Development*, Vol. 32, No. 7, pp. 1159–1178.

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.

### Week 13: 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.