

## NEW DEVELOPMENT PATHWAYS IN LATIN AMERICA

### Purpose

More than twenty years ago, John Sheahan, in his seminal analysis of development pathways, *Patterns of Development in Latin America* (1987), observed, “Latin American countries are not standing still. They are all changing, and one of the most striking aspects of change in the last forty years is how differently they have been moving.” His observations sought to categorize the pathways of development of the Latin American economies by positing the similarities and differences they retained in the transition from liberal to import-substituting/statist economies. Sheahan’s focus was not on providing support for an interpretive “model of everything” *a la* dependency theory or Guillermo O’Donnell’s “bureaucratic-authoritarianism” approach. Instead, Sheahan focused on cause-effect relationships between changes in the international political economy, how Latin American states were imbedded in them, and how public policy choices sprang from that interaction. His categories proved timely but not lasting as the era of neoliberalism radically changed the development models of most of the countries of the region during the 1990s and 2000s.

The task of each of the research teams for this assignment is to return to Sheahan’s analytical purpose of categorizing the Latin American economies according to internally coherent schema based on empirical assessments. This will involve extensive data gathering as well as country study and it will culminate in the use of quantitative techniques to present several of the key cause-effect relationships that explain development pathways for a selected group of Latin American countries. The results of each team’s work will be presented as part of the common dataset and in a group presentation of the research findings for the country sample. To motivate the study and to focus attention on what matters, I highly recommend that all students read Sheahan’s recent article, “Alternative Models of Capitalism in Latin America” (2002), which is available on e-reserves.

### Portfolio Structure

Each research team of 4-5 students will work from a portfolio of countries and variables. Each team is responsible for researching the contemporary political economy of the countries in their sample using secondary sources, historical evidence, and, most importantly, the quantitative data available in the common dataset. The “common dataset” refers to the seminar dataset that will be assembled in segments with each research team responsible for a set of variables for 15 Latin American countries. The four teams will be identified by the largest economy in their charge: Argentina, Brazil, Chile, and Mexico. Each team will have four countries, except the Brazil team, which must deal with a larger, more complicated identifying country.

### *Countries*

Team Argentina: Costa Rica, Peru, Venezuela.

Team Brazil: Bolivia, and Uruguay.

Team Chile: Paraguay, El Salvador, and Colombia.

Team Mexico: Dominican Republic, Ecuador, and Honduras.

### *Variables*

The main variables that will compose the dataset include a variety of macroeconomic, social, demographic, and political variables. Each team will be responsible for collecting a full and complete array for their designated variables and they may be called upon to develop their own transformed figures, interaction terms, or indices using some statistical techniques. The dataset will begin with the following core variables (all cells will contain annualized data for each country-year):

#### Macroeconomic Variables

GDP (aggregate), GDP (per capita), growth in GDP (aggregate), growth in GDP (per capita), government expenditures as a percent of GDP, annual inflation rate, exchange rate with the dollar, volatility of exchange rate, manufacturing as a percent of GDP, agriculture as a percent of GDP, mining as a percent of GDP, fuel exports as a percent of GDP, current account balance as a percent of GDP, capital account balance as a percent of GDP, total debt service as a percent of exports, nominal annual deficits as a percent of GDP, taxation as a percent of exports, taxation as a percent of imports, Fraser Institute scores on capital market liberalization, total trade in goods and services as a percent of GDP, total exports as a percent of GDP, total imports as a percent of GDP, foreign direct investment net inflows as a percent of GDP, portfolio capital inflows as a percent of GDP, IMF credit as a percent of GDP, World Bank loans as a percent of GDP (26 variables).

#### Demographic Variables

Percent urban population, percent rural population, percent of population 15 and younger, percent of population 65 and older, religiosity, percent of non-white population, population (natural log), population growth rate (8 variables).

#### Social Variables

UNDP Human Development Index, Gini coefficient, unemployment, literacy, average years of schooling in the labor force, percent of labor force made up of women, poverty rate, infant mortality, social security and welfare spending as a percent of GDP, health spending as a percent of GDP, primary and secondary education spending as a percent of GDP, tertiary education spending as a percent of GDP, doctors/hospitals per capita, schools per capita (14 variables).

## Political Variables

Freedom House political rights score, Freedom House civil rights score, Polity IV score, Transparency International Corruption Index score, unionization, PR or plurality systems, size of the governing majority in the lower house, effective number of parties by seats in the lower house, effective number of parties by share of national votes, partisanship of government (president), partisanship of government (majority in governing legislative chamber), cumulative years of democracy from 1945 to the year of the observation, federalism dummy (13 variables).

### **Sources and Data Collection**

Each research team will be responsible for the integrity of their portion of the dataset as it refers to the variables in their portfolio. That means that careful and consistent coding for variables across country-years is essential. Each team will work with Danya Leebaw, our reference librarian, to locate sources. *Extra points will be assessed for any effort given to comparing the quality of alternative sources using secondary materials.* Once data has been collected, it must be organized in the dataset panels and sent to Prof. Montero for inclusion in the common dataset. Attention to consistent coding and reporting standards will be enforced at this level.

### **The Dataset**

The structure of the dataset will account for country differences as well as time. As such, it will be set up as a panel study (time-series cross-sectional – TSCS). All observations will be country-years (i.e., annualized observation for each country). The rules governing TSCS analysis will be presented in class as part of a lecture on the technique.

### **The Codebook**

Each research team will keep a codebook for their variables. The format of the codebook is as follows:

VARIABLE NAME – EXPLANATION OF WHAT IT MEASURES AND HOW IT VARIES – SOURCE.

Once the data is collected, Prof. Montero will receive the team's portion of the codebook as well and enforce the consistency of reporting standards.

### **Preliminary Reports**

In addition to frequent discussion on data availability, organization, and coding on the Moodle forum designated for the team, each research team will provide preliminary reports on how they are comparing the countries in their portfolio. These will be posted on Moodle by the due date assigned.

In preparation for the group presentation and once the common dataset is complete, each

research team will compare the macroeconomic performance, policy choice, partisan composition, and social profile of their sample of countries. The purpose is to render an interpretation of categories of development pathways in which each or a subset of the sample should fit. At this point, the crucial linkages between policy choice, politics, and macroeconomic outcomes should be presented clearly to facilitate interpretation.

### **Group Presentation Guidelines**

Each research team will have upwards of 20 minutes total to present their main findings on the development pathways of their sample of Latin American countries. Since project presentations can vary in scope and focus at this point, consultation with the professor will be essential to keep the project within the purview of the assignment and still allow students to pursue their own creative choices.