

**Boston College
Economics Department**

**EC 275 - Economic Development: The Experience of El Salvador
Richard A. McGowan, S.J.**

Course Description:

The goal of this course is to provide students the opportunity to explore the phenomenon of economic development in a very specific context, El Salvador. In the first six weeks of the course, you will learn about the historical, social and economic context of El Salvador as well as the special problems that El Salvador faces with special emphasis on the role of remittances and microfinance. After we visit El Salvador the course will focus on the questions of Economic Development and how to apply that theory to the various situations that you witness while in El Salvador. Your task will be to develop an appropriate industrial policy for El Salvador.

Assignments and Readings

Week 1 (January 19): History and Culture of El Salvador

Readings: Selections from “Culture and Customs of El Salvador” by Boland

Week 2 (January 26): The Civil War

Reading: “Insurrection and Regime Change in El Salvador”

Film: Innocence Voices

Week 3 (Feb.2) and Week 4 (Feb. 9): Microfinance

Readings: “Small Loans and Big Ambitions” Economist, 3/16/07

Selections from the *Economics of Microfinance*, by de Aghion and Morduch

Week 5 (Feb.16) and Week 6 (Feb. 23): Remittances

Readings: “The Ethics of Remittances”

IMF Working Paper: “What do Remittances Do? Analyzing the Private Remittance Transmission Mechanism in El Salvador”

“Mitigating the Structural Imperfections and Negative Impacts of Remittances”

Week 7: Visiting El Salvador

We will spend their spring break visiting El Salvador. The five days will be spent working and visiting various sites in El Salvador. During the evenings various lectures will be given utilizing speakers and the facilities at the University of Central America (UCA) in San Salvador.

Week 8 (March 9): Economic Development and Growth- The Basic Issues of the Growth

Topics: Economic Development versus Economic Growth, Production functions, Seven major controversies of Economic Development: What is Econ Development?; How does it occur?, Is there a difference between “growth” and “development”?; Population growth Versus Economic Growth? ; The tradeoff between Development and the Environment; Role of Trade, Role of Government

Week 9 (March 16): Theories of Economic Growth

Topics: Classical Models (Smith, Malthus, Marx)
Stage Model of Growth Theory (Rostow)
Growth Models: Harrod-Domar, Solow

Week 10 (March 23): The Institutions of Economic Development;

Topics: IMF, World Bank, Role of Government, WTO
Selections from Stiglitz’s *Globalization and Its Discontents*
Selections from Baumol, et.al, *Good and Bad Capitalism*

Week 11(March 30): Profiles of Developing Countries

Readings: Selections from *The Mystery of Capital* by Hernando DeSoto
“Profitable Models and Market Creation in the Context of Deep Poverty: A Strategic View”
“Poverty and its Causes”

Week 12 (April 6): Immigration, Trade

Readings: “2008 National Survey of Latinos”

“How to Save Globalization from its Cheerleaders”

“Open Up” from the Economist

Week 13 (April 27) Industrial Policy

“New Development Economics:

We Shall Experiment, but How Shall We Learn?”

Dani Rodrik, John F. Kennedy School of Government - Harvard University

May 4: Final Exam: Students will be asked to write an industrial policy position paper for the new president of El Salvador indicating what opportunities offer the best chance for economic development in El Salvador.

Grading: The final grade will be based on the student’s performance on three criteria

- 1.) Class participation.(15%)
- 2.) Each student will be responsible for running the seminar once during the semester.(15%)
- 3.) Two short essay assignments (15%)
- 4.) The journal that you will keep of your experience in El Salvador (15%).
- 5.) Final exam (40%)