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 25th): The Civil War
Reading: “Insurrection and Regime Change in El Salvador”
Film: Innocence Voices

Week 2 (Feb.1st): History and Culture of El Salvador
Readings: Selections from “Culture and Customs of El Salvador” by Boland

Week 3 (Feb.8th) and Week 4 (Feb. 15th): Microfinance
Readings: “Small Loans and Big Ambitions” Economist, 3/16/07
Selections from the Economics of Microfinance, by de Aghion and Morduch
Weeks 5: Remittances


Week 6: Remittances

February 29th: “Mitigating the Structural Imperfections and Negative Impacts of Remittances” “Determinants of Bilateral Remittance Flows”

Week 7: Visiting El Salvador (March 5th to March 12th)

We will spend the 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 14th) 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 9: (March 21th): 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 10 (April 4th): Theories of Economic Growth**
Topics: Classical Models (Smith, Malthus, Marx)
Stage Model of Growth Theory (Rostow)
Growth Models: Harrod-Domar, Solow

**Week 11 (April 11th): 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 12 (April 25th): Industrial Policy**
“New Development Economics:
We Shall Experiment, but How Shall We Learn?”
Dani Rodrik, John F. Kennedy School of Government - Harvard University

**May 2nd: Final Exam:** Students will be asked to write an industrial policy position paper
to IMF indicating what are the opportunities and threats to the economic development in
El Salvador.

**Grading:** The final grade will be based on the student’s performance on three criteria
1.) Class participation (20%)
2.) Each student will be responsible for running the seminar twice during the
   semester (25%)
3.) The journal that you will keep of your experience in El Salvador (15%).
4.) Final exam (40%)