

University of Southern Mississippi
Department of Political Science, International Development and International Affairs

IDV 730 International Development Finance

Fall 2007

Synchronous Chat 7:00-9:00 p.m. Wednesday (central)

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Course Description:

This course examines the role of international and local capital flows on the process of economic development. The course begins by examining the relationship between capital flows and development in traditional growth models, followed by an examination of specific country experiences. We will examine the experiences of reforming former Eastern Bloc states, slowly growing states of Latin America, the rise of India and China and the continuing problems of development and growth in Africa. A substantial portion of the class is devoted to the critiques of the traditional to foreign aid as a tool for development. Finally, we will examine the economics and institutions involved with microcredit and microfinance.

Course goals:

This course is designed with the following goals:

- To teach the students how to access, read and debate concepts of relating to the role of international capital flows (foreign aid, loans, and foreign investment) in the process of economic development.
- To teach the history of comparative experiences with international capital and development.
- To teach students how to understand the variety of empirical evidence on the role of foreign aid for development.
- To teach students the history, theory and practice of microcredit and microfinance in the developing world.

Learning Outcomes:

Students will achieve the following outcomes by the end of the term:

- Learn how to find relevant scholarly works on various concepts and theories of international finance.
- Learn how to read critically to support, refute, and critique existing concepts, theories, evidence and models of international finance in a scholarly fashion.
- Learn how to read and interpret empirical evidence related to international finance.
- Learn how to write a scholarly paper analyzing the role of finance in a specific developing country's experience.

Required Readings

There are five required books that make up the bulk of the reading for this class. Additionally, there are several articles that you will be able to download via Blackboard/WebCT. Articles that are not required, but are supplementary will be marked a †.

Jeffrey Sachs. 2006. *The End of Poverty: Economic Possibilities for Our Time* (paperback). Penguin, 416 pp. ISBN 0143036580

Paul Collier. 2007. *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*. Oxford University Press. 222 pp. ISBN 0195311450

William Easterly. 2006. *White Man's Burden: Why the West's Effort to Aid the Rest Have Done so Much Ill and so Little Good*. Penguin, 448 pp. ISBN 1594200378

Robert Caldesi. 2006. *The Trouble with Africa: Why Foreign Aid Isn't Working*. Palgrave Macmillan. 256 pp. ISBN 1403971250

Beatriz Armendariz and Jonathan Morduch. 2005. *The Economics of Microfinance*. MIT Press, 360 pp. ISBN: 0262012162

Course Requirements

The primary requirement for the course will be to keep current with the readings. While some of the readings are more technically difficult, none of the readings selected presumes extensive knowledge economic theory or development research.

The most substantial aspect of this course will be an individual project that will include writing a substantial research paper and making a formal presentation.

Technology Requirements

Students will need to have a minimal working knowledge of the following Technologies:

1. MS Word or some other word processing program.
2. PowerPoint—ability to make simple slide presentations.
3. Ability to email instructor or students on a daily basis.
4. Ability to access Blackboard as well as participate in Discussion Threads and/or text and/or audio “Chat” sessions.
5. Ability to download and view Windows Media and RealPlayer files.

Grading

Discussion questions, synchronous chat and reaction papers will be graded on a 0-100 scale. These grades should be interpreted as follows.

A =93-100%	C+ =78-79%
A- =90-92%	C =73-77%
B+ =88-89%	C- =70-72%
B =83-87%	D =60-69%
B- =80-82%	F = 59 % or less

For the paper, presentation and book review, you will receive a letter grade. Letter grades will then be converted into a numerical grade for determining your course average. The conversion is as follows

A =95	C+ =78
A- =91	C =75
B+ =88	C- =71
B =85	D =65
B- =81	F =50

Each of the assignments will count toward your final grade as follows. Specific grading rubrics for the paper and the presentation will be available on Blackboard/WebCT.

10 %	Discussion Questions/ Asynchronous chat
5 %	Synchronous chat
15 %	Book Review of <i>What's Wrong with Africa?</i>
10%	Reaction papers
50%	Paper Project
10%	Presentation
<hr/> 100%	

Asynchronous Chat—Discussion Questions

The discussion in this course will be a primarily a seminar-style discussion of the books and papers that will happen from 7 to 9 pm (central time) on Wednesdays. Additionally, you are expected to read the article or book ahead of time and submit two discussion questions each Monday on the readings to be discussed for that week. These discussion questions can ask for clarification, make a general or specific comment about the readings, or extend upon an idea from the readings. You should submit at least one discussion question per week that is not simply a clarification question. Additionally, you need to post at least one response to your classmates' questions per week. This response can be done any time during the week (Monday-Sunday), but my preference is for them to be posted before Wednesday night.

Here are some guidelines to help you prepare your discussion questions.

1. There are generally two types of discussion questions: those that seek clarification and those that extend and comment on an argument made by the authors. In your submission of discussion questions,

I would like to see at least one of your questions to be of the “commentary” type. If you have more than one “clarification,” you are welcome to submit several questions, but please no more than four.

2. Be sure to give as precise of a citation as possible when it comes to your comment/or clarification. It is not enough to say “when the author talks about x...” Say, instead, “On page 32, second paragraph from the bottom, the author says,”
3. Try not to repeat questions already posed by a classmate. Sometimes this is unavoidable, but it is your responsibility to read the questions that have already been posted. You can, however, extend upon a question posed by a classmate. Maybe there is something that you noticed that she missed, or you want to take the question in a different direction.

Here is an example of a discussion question from a few years back from my Middle East class
“One page 333-4 of Richards and Waterbury, they describe how increased military activity within the political economy could help advance ISI, as it requires more structural transformation. My question is: if the military was able to ensure the deepening of ISI, is it rational to believe that it could allocate resources in a efficient manner? It just doesn’t seem that a military leadership would possess the desire to ensure such a successful program. ...”

Notice how the student first summarizes the argument that she is dealing with and then addresses the question.

Your questions will be the starting point for the synchronous chat on Wednesday nights, so be sure to read and think about your classmates’ questions before Wednesday. Post your questions to Blackboard/WebCT by 8:00 p.m. (central time) Monday night. Also, you are expected to post at least one response to your classmates’ questions per week. *You will receive a weekly grade on your discussion questions and your responses to your classmates’ questions. You may drop three of your lowest grades on the asynchronous chat.*

Synchronous chat

The chat time for this class will be Wednesdays from 7:00-9:00 central time. You will be graded on your participation in these chats, but your two lowest chat grades will be dropped at the end of the semester.

Book Review

You will write a analytical book review of *The Trouble with Africa*. This review should be approximately 1000-1500 words and contain an executive summary of the book along with a critique. Use any of the other texts and papers as sources for your criticism (positive or negative) or feel free to use outside sources. This, however, is not a research paper and the course materials should be a sufficient set of references.

Research Paper

A. Paper Specifications

The paper should be 20-25 pages, not including bibliography, tables and graphs. The paper must be typed, double-spaced with one inch margins all around. Careful and complete footnoting of all quotations and paraphrasing is essential. Any reasonable manner for citations is acceptable including Chicago, APA, or you can follow the style used in an economics journal.

B. Calendar of Requirements

1. Proposal: Submit a copy of this written statement by **September 9th**. The statement should include
 - a. A statement of the problem or question with which your paper will deal.
 - b. A brief topic outline that shows how you intend to organize your paper; and
 - c. a preliminary bibliography of books and journal articles you plan to use in your research. Write full, clear citations, so that I can help you with sources.
2. Literature Review. Due **September 30th**. You need to summarize and synthesize the most important sources on your topic. This portion of the paper will be 3-5 pages long and should tie in to your overall thesis.
3. Model Description Due **October 21st**. You will need to submit a full description of the economic model that you propose to use in your paper. This model can be a mathematical model, a graphical model, or a conceptual model. This description should be complete and demonstrate the model's appropriateness for the question you are attempting to address. Your description should be 1-2 pages long.
4. First draft of paper. Due **November 11th**. A copy of a complete, typed draft with footnotes and bibliography, is to be submitted. You should think of this as a **third** draft rather than a first draft. It should be spell checked, and include an introduction and conclusion.
5. Final draft of paper. Due **December 2nd**
6. Paper presentation. The formal presentation of your paper will take place during the final in person session . You should use PowerPoint.

C. Grading

You will receive a grade on each portion of the paper outlined above (B.1-6). The breakdown of the grade will be as follows Proposal 5%; Literature Review 10%; Model Description 10% First Draft 15%; Final Draft 60%. These constituent parts will then be averaged in order to determine the overall grade for the project, which counts towards 50% of your final grade.

Late Penalties

All deadlines must be met. Failure to do so will result in grade penalties. If the proposal, literature review, model, or final draft is late, a 1/3 grade penalty is imposed for the first day. Each additional day raises the penalty by 1/3rd of a letter grade. However, you do have 2 grace days that can be used at any point in the semester.

First draft and final draft submission deadline: if either of these is late, a **one letter-grade** penalty is imposed for the first day. Each additional day raises the penalty by 1/3 grade.

Reaction Papers

These papers are based upon a particular theme of the readings. There are three papers listed, due throughout the semester; however, you only need to turn in two. If you choose to turn in the other one on its due date, you will receive your highest two grades. Reaction papers should be 2-3 pages typed (double spaced) and should use the readings as a point of departure. These papers are not only summaries; they should be essays related to the readings and incorporating some major theme that is discussed in the readings. All papers are due at 8:00 p.m. central time on the date listed below.

The model for your reaction paper should be an Op-Ed in a major paper. It should be roughly 800 words, on a single topic that is current, but relates to the readings from class. For example, this summer there was an article about Spain forgiving 384 million euros in poor country debt.

<http://africa.reuters.com/business/news/usnBAN358057.html> This could be a point the point of departure to talk about issues of debt forgiveness and whether or not this was a good idea. The idea of these papers is to make an argument and back it up with clear, cogent reasoning.

Reaction paper due dates

Reaction Paper #1: September 23rd

Reaction Paper #2: October 14th

Reaction Paper #3: November 18th

Topics Covered

- I. Basics of International Development Finance, Poverty Traps and International Financial Crises
- II. Does Official Development Assistance Work?
- III. Financial Institutions, Credit Markets and Microfinance

Americans with Disabilities Act (ADA) Policy Statement

If a student has a disability that qualifies under the American with Disabilities Act (ADA) and requires accommodations, he/she should contact the Office for Disability Accommodations (ODA) for information on appropriate policies and procedures. Disabilities covered by ADA may include learning, psychiatric, physical disabilities, or chronic health disorders. Students can contact ODA if they are not certain whether a medical condition/disability qualifies.

Address:

The University of Southern Mississippi on the Gulf Coast
Office for Disability Accommodations
730 East Beach Blvd
Long Beach, MS 39560

Voice Telephone: (228) 214-3232 or (601) 266-5024

Fax: (601) 266-6035

Individuals with hearing impairments can contact ODA using the Mississippi Relay Service at 1-800-582-2233 (TTY) or email Suzy Hebert at Suzanne.Hebert@usm.edu.

Plagiarism Policy Statement

A. Plagiarism is scholarly theft, and it is defined as the unacknowledged use of secondary sources. More specifically, any written or oral presentation in which the writer or speaker does not distinguish clearly between original and borrowed material constitutes plagiarism.

B. Because students, as scholars, must make frequent use of the concepts and the facts developed by other scholars, plagiarism is not the mere use of another's facts and ideas. However, it is plagiarism when students present the work of other scholars as if it were their own work.

C. Plagiarism is avoided when students give credit (footnotes or other documentation forms) to the sources consulted in researching all written work.

D. Plagiarism is a serious offense. An act of plagiarism may lead to a failing grade on the paper and in the course, as well as sanctions that may be imposed by the student judicial system.

-*USM Student Handbook*, pages 74-75.

For further information on Academic Honesty, please refer to the current Bulletin or to the Student Handbook. Additionally, the University library provides a Web site that reviews the topic of plagiarism at <http://www.lib.usm.edu/research/plag/plagiarismtutorial.php>. Students are encouraged to review the information on this site.

In the event of student dishonesty, the instructor may award failing grades either on the pertinent assignment or for the course; and, at his/her discretion, report the student to the office of the Dean of Students for possible judicial proceedings under the University's Code of Student Conduct. Faculty members are expected to enforce rigorously the University's Academic Honesty Policy.

Schedule of Topics and Readings by Subject

Week 0--- **August 18th**. **In-person**, Basics of international finance, capital accumulation and growth theory

Week 1—August 22nd

Major Themes of International Development Finance

Sachs Ch. 1 & 2

Kenneth Rogoff, "International Financial Institutions for Reducing Financial Instability" *Journal of Economic Perspectives*, Vol 13 No. 4, Autumn 1999, pp.21-42

†Stephen R. Bond, Asli Leblebicioglu and Fabio Schiantarelli "Capital Accumulation and Growth: A New Look at the Empirical Evidence" working paper, July 2007.

Week 2—August 29th

Growth Theory and Empirics

Sachs, Ch. 3,4 &10

N. Gregory Mankiw, David Romer, David N. Weil "A Contribution to the Empirics of Economic Growth" *The Quarterly Journal of Economics*, Vol. 107, No. 2 (May, 1992), pp. 407-437

Week 3— September 5th

Debt Overhang and International Finance Crises

Sachs, Ch 5-7

Sebastian Edwards, "Crises and Growth: A Latin American Perspective" NBER Working paper No. 13019, April 2007

†Daniel Cohen "Low Investment and Large LDC debt in the 1980's" *The American Economic Review* Vol 83, No. 3, June 1993, pp. 437-449

Week 4—September 12th

Foreign Direct Investment

Whalley, John and Xian Xin. "China's FDI and Non FDI Economies and the Sustainability of Future High Chinese Growth" NBER Working Paper Number 12249 May 2006.

Sachs, Ch. 8 & 9

Week 5—September 19th

The Millennium Development Goals and the Sachs plan

Sachs, Ch 11-14

Week 6—September 26th

Poverty and Conflict Traps and the Possibility of Missing the Boat

Paul Collier, *The Bottom Billion*, Ch. 1-6

†Costas Azariadis and John Stachurski, “Poverty Traps” from *The Handbook of Economic Growth*

Week 7—October 3rd

Does Aid Help?

Craig Burnside and David Dollar “Aid, Policies and Growth” *American Economic Review*, Vol 90., No. 4, September 2000, pp. 847-868.

Collier, Ch. 7-10

†Raghuran G. Rajan and Arvind Subramanian, “What Undermines Aid’s Impact on Growth?” NBER Working paper #11657, September 2005.

Week 8—October 10th

No, Aid Doesn’t Help

Easterly Part I (Chapters 1-4, through page 162)

Week 9—October 17th

Markets and Planners

Easterly Part II (part III, chapters 8 & 9, optional)

Week 10— October 24th

Financial Institutions and Credit Markets

Ross Levine, 2004. , “Finance and Growth: Theory and Evidence” from *Handbook of Economic Growth*, ed by Phillippe Aghion and Steven N Durlauf, vol 1B, Amsterdam: North Holland

Timothy Besley and Alec R Levenson, 1996. “The Role of Informal Finance in Household Capital Accumulation: Evidence from Taiwan” *The Economic Journal*, vol 106, Jan 1996, pp. 39-59.

Review of *The Trouble with Africa* Due October 28th

Week 11—October 31st

Basics of Microfinance

Beatrice Armendariz de Aghion and Jonathan Morduch *The Economics of Microfinance* Chapters 1-3

Week 12—November 7th

Group Lending

Armendariz de Aghion and Morduch, Chapters 4-6

Week 13—November 14th

Effects of Microfinance

Armendariz de Aghion and Morduch, Chapters 7-9

Week 14—November 21st

Policies for the Future

Sachs, Chapters 16-18

Easterly, Part IV (Chs. 10&11)

Collier, Ch 11

Week 15—November 28th

The Lives of the Poor

Armendariz de Aghion and Morduch, Chapter 10

Abhijit V. Banerjee and Esther Duflo, “The Economic Lives of the Poor” *Journal of Economic Perspectives*, Winter 2007, vol 21 no. 1, pp 141-167.

December 2nd Papers due

Week 16: December 7th In-Person Research Presentations

Schedule of Readings and Assignments (tentative)

1. Weekly Schedule of Readings and Assignments

Week	Sunday	Wednesday
1		Aug 22 Introduction Sachs Ch. 1, 2 Rogoff
2		Aug 29 Growth Sachs Ch. 3, 4, 10

		Mankiw, Romer, Weil
3		Sept 5 Crises and Debt Sachs Ch. 5-7 Edwards
4	Sept 9 Proposal Due	Sept 12 Investment Flows Sachs Ch 8,9 Whalley and Xin
5	Sept 16	Sept 19 Sachs plan Sachs Ch 11-14
6	Sept 23 Reaction Paper 1 due	Sept 26 Missing the Boat Collier Ch. 1-6
7	Sept 30 Literature Review Due	Oct 3 Does Aid work? No Synchronous chat Dollar and Burnside Collier Ch. 7-10
8	Oct 7	Oct 10 No, it doesn't Easterly Ch. 1-4
9	Oct 14 Reaction Paper 2 Due	Oct 17 Markets and Planners Easterly Ch. 5-7

Weekly Schedule of Readings and Assignments (continued)

Week	Sunday	Wednesday
10	Oct 21 Model Description Due	Oct 24 Finance and Growth Levine Besley and Levinson
11	Oct 28 Review of <i>The Trouble with Africa</i> due	Oct 31 Microcredit Pt 1 A de A & Morduch Ch 1-3
12	Nov 4	Nov 7 A de A & Morduch Ch. 4-6
13	Nov 11 Draft of Paper Due	Nov 14 A de A & Morduch Ch. 7-9
14	Nov 18 Reaction Paper 3 Due	Nov 21 Policy Recommendations Sachs Ch. 16-18 Easterly Ch. 10-11 Collier Ch. 11 (no synchronous chat)
15	Nov 25	November 28 th Reflections on the Poor A de A and Morduch, Ch. 10 Banerjee and Duflo
16	Dec 2 Final Paper Due	Dec 7 Paper Presentation