

UNIVERSITY OF PENNSYLVANIA
SCHOOL OF ARTS AND SCIENCES
DEPARTMENT OF ECONOMICS

Econ 252 – International Economics
Fall 2013

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Course hours: Tuesdays and Thursdays, 12:00-1:30pm in McNeil 286-7

Objectives and Prerequisites

This course is an introduction to international monetary economics. The theoretical background is used as a basis for discussion of policy issues. The course takes theoretical, empirical and historical approaches. Topics are foreign exchange markets, balance of payments, capital flows, financial crises, coordination of monetary and fiscal policy in a global economy.

Prerequisites: Economics 101 and 102, math 104, and Math 114 or Math 115

The LPS 200-level course **will not** count for Economics Majors unless you are officially registered as and LPS student.

Textbooks

Required: Krugman, P., M. Obstfeld and M. Melitz, *International Economics* (9th ed.). Addison-Wesley, 2012

Optional: Feenstra, R. and Taylor, A., *International Macroeconomics* (2nd ed.). Worth Publishers, 2011

Recommended readings

Reinhart, C., K. Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, Princeton University Press, 2009

Obstfeld M., A. Taylor, *Global Capital Markets: Integration, Crisis, and Growth*, Cambridge University Press, 2004

Grading

The final grade for the course will be based on homework assignments, term paper, midterm and final exam. The worst homework assignment grade will be dropped. The final exam is cumulative.

Homework assignments	10%
Term paper & class presentation, Oct. 3, 8, Dec. 3, 5	20%
Midterm, October 17	30%
Final Exam, December 18	40%

Courses taught in the Department of Economics are covered by a common set of course management policies. Registering for this course means that you will follow these policies. See, Departmental Policies for Undergraduate Economics Courses
<https://economics.sas.upenn.edu/undergraduate-program/course-information/guidelines/policies>

The Department's guideline for the distribution of grades will also be followed:
00-30% grades: A or A-
40-50% grades: B+, B, or B-
20-30% grades: C+ or below

Outline of the course (subject to change)

Introduction to international macroeconomics
Income accounting
Exchange rates
Money and foreign exchange markets
Exchange rates in the long run
Exchange rates in the short run
Fixed exchange rates
History of international monetary systems
Developing countries: Growth, crisis and reform

Presentation/term paper—rules and topics

Students may choose one of the four topics below. They may choose to work individually or in pairs. Only one student or pair will do the presentation for each topic and the students who do the presentation will be waved from the term paper. No more than 16 students can choose a topic. The first student(s) to volunteer to present a topic will be the presenter(s). If no one chooses to present, I will pick the presenter among the students who chose the topic. No more than 15 students may choose a particular topic. The two presenters for the

October presentations must be set by **September 12**, and the presenters for the December presentations must be set by **November 14**.

The presentation will last 20-25 minutes and it will be followed by a 10 minute discussion. The term paper is three to six pages double spaced. The presentation and the term papers should have roughly the same structure. About two-thirds is a summary of the findings or summary of the article, and one third is your critical analysis. The critical analysis may focus on a particular aspect and not on the whole topic.

Presentations are before the midterm or the final exam. In each exam, final and midterm, at least one of the questions will be on the presentations. So, please attend. Regular class will also resume after the presentation. **All term papers on a topic are due on the day of the presentation, before class.**

Topic 1 (October 3): The US changed its accounting standards in August of this year. Summarize the existing and new rules, specifying the division of expenditures into consumption, investment and government spending. Provide a critical analysis.

Topic 2 (October 8): Summarize and provide a critical review of the following paper:

Bordo, M., B. Eichengreen, D. Irwin (1999) "Is globalization today really different than globalization a hundred years ago?" *NBER working paper*, 7195

Topic 3 (December 3): Use the model learned in class to describe the events leading to the balance-of-payments crisis in Mexico described in

Mendoza, E. and G. Calvo (1996) "Petty Crime and Cruel Punishment: Lessons from the Mexican Debacle" in *The American Economic Review P&P*, vol 86, pp. 170-175.

The model should guide you in explaining the introduction and section 1 and why the predicted real money balances should decrease in section 2. Please ignore all other technicalities of section 2. Summarize and comment on section 3 and the conclusion. You will need to attach graphs. The paper should be typed, but the graphs may be hand-made.

Topic 4 (December 5): Summarize and provide a critical review of the following paper:

Fernandes-Villaverde, J., L. Garricano, T. Santos "Political Credit Cycles: The Case of the Euro Zone" in http://economics.sas.upenn.edu/~jesusfv/Political_Credit_Cycles.pdf

The paper was published in the *Journal of Economic Perspectives*, but I have assigned the working paper version because it is clearer and more complete.