Objectives and Prerequisites

This course is an introduction to the theory of international trade and international macroeconomics. The theoretical background is used as a basis for discussion of policy issues. Patterns of international trade and production; gains from trade; tariffs, and other impediments to trade; foreign exchange markets, balance of payments, capital flows, financial crises, coordination of monetary and fiscal policy in a global economy.

Note: Economics 50 is a one-semester course in International Economics. Students wishing to study the subject in greater depth should take instead the two-semester sequence Economics 251-252. A student who receives credit for Economics 50 will receive no credit for either Economics 251 or 252.

Prerequisites: Economics 1 and 2 or Economics 10.

Textbooks


Recommended readings


Grading

The final grade for the course will be based on homework assignments, two midterms and one final exam. The worst homework assignment grade will be dropped. The final exam is cumulative.

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Homework assignments</td>
<td>15%</td>
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<tr>
<td>Midterm I, September 23</td>
<td>25%</td>
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<tr>
<td>Midterm II, November 6</td>
<td>25%</td>
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<tr>
<td>Final Exam, December 18</td>
<td>35%</td>
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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](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)

**Part I: International trade**
- Introduction to trade
- Ricardian model
- Heckscher-Ohlin model
- The standard trade model
- External economies of scale
- Internal economies of scale I: monopolistic competition
- Internal economies of scale II: firms
- Instruments of trade policy
- Controversies of trade policy

**II Intern. macroeconomics**
- 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