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. Topics include: 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.

Prerequisites: Economics 1 and 2 or Economics 10.

Textbooks


Recommended readings

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

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>Assignment</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Homework assignments</td>
<td>15%</td>
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<tr>
<td>Midterm I, February 11</td>
<td>25%</td>
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<tr>
<td>Midterm II, March 22</td>
<td>30%</td>
</tr>
<tr>
<td>Midterm III, April 26</td>
<td>30%</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

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