

ECON 051  
**International Trade and Finance**  
Swarthmore College, Fall 2016

**Professor** Tao Wang

**Meetings:** T 6:30-9:00pm

**Office Hours:** W 1:00-3:00pm & by appt.

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Kohlberg 218

Kohlberg 214, x6139

**Teaching Assistants:** Tony Trinh

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**Clinic hours:** SU 7:00-8:30pm

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Kohlberg 201

### Course Description

This is an intermediate level course on **international economics** that introduces important theories in the analysis of international trade and international finance. Though the focus of the lectures is often on the theoretical analysis, the objective is to apply the theories to real-world problems.

This course uses a substantial amount of economic theory. The prerequisites are both Econ 011 and 021. Students seeking a less technical course can take Econ 054, Global Capitalism Since 1920. Students wanting a more advanced and in-depth course should consider Econ 151, the two-credit seminar. You should not plan to take both the course and the seminar, as you will only receive one credit for the seminar if you take the course.

Students interested in East/South East Asian economies in particular may consider taking Econ 083, East Asian Economies, either before or after taking Econ51/151.

### Goals and Expectations

Upon completion of the course, the students are expected to:

- be knowledgeable about the key developments in the global economy;
- be familiar with important theories in international economics;
- be able to critically evaluate popular writings and simple economic analysis on international economic issues;
- be able to use the basic theories to analyze international economic events and policies;

**Required Text:** Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory and Policy*, 10<sup>th</sup> edition, Prentice Hall, 2015.

Students are expected to have read the assigned chapters of the textbook before the topics are discussed in class. Supplementary readings will also be provided.

### Resources:

You will be expected to have some familiarity with basic facts about the international economy.

For reviews of economic developments on an annual or semi-annual basis, consult:

[IMF World Economic Outlook](#), annual (for a global overview);

[OECD Economic Outlook](#), semi-annual (for developed countries);

[World Bank, World Development Report](#), annual (for developing countries).

The best single comprehensive source of international statistics is the World Bank [World Development Indicators](#). The IMF's [International Financial Statistics](#) is also useful.

**Grading:** Participation 20%    Country Study Project 10%    Midterm 25%  
                  Quizzes 10%            Problem Sets 10%            Final Exam 25%

Participation. You are expected to contribute positively to the course in a variety of ways, including but not limited to:

- regularly attending classes\*;
- asking and answering questions in class;
- engaging in discussion and other classroom activities;
- bringing in relevant materials, such as new articles, to class discussion^;
- leading a discussion on a non-technical course topic&;
- offering comments and suggestions to improve the course.

\*: *Class attendance.* You may miss classes with valid reasons, e.g. job interviews or illnesses, with proper documentation; however, substantial absence will result in a lower participation grade regardless of cause.

^: *Current events presentation.* You are encouraged to keep up to date with major events in the world economy. You may look for the relevant sections of [\*The New York Times\*](#), [\*The Wall Street Journal\*](#), the [\*Financial Times\*](#), [\*The Economist\*](#) magazine and/or other reputable news outlets. Each week one student will be responsible for a briefing on the key event(s) in international economics and lead a short discussion in connection to the course material.

&: *Leading class discussion.* You will be responsible for presenting and leading a discussion on one of the less technical topics of the course material, which are listed at the end of the syllabus. Supplemental readings may be assigned to help you substantiate the textbook discussion. You are also encouraged to bring in additional materials.

Quizzes. Weekly quizzes will be posted on Moodle. You are expected to have read the assigned chapters of the textbook and complete the quizzes BEFORE each week's class meetings. The quizzes will be due at 8am on the day of the first class meeting each week (except for the first week). Answering 60% of the questions correctly and submitting the preview questions<sup>#</sup> will earn you the full credit for a quiz. You may skip one quiz without penalty.

<sup>#</sup>: *Preview questions.* Each quiz will also include a section that will ask you to submit two sets of questions. The first set will be three key questions that you believe the textbook chapters address. The second set will be three questions that you would like ask to facilitate your further understanding of the material. These can be something that you feel particularly interesting and would like to discuss more; or certain aspects of the reading that is difficult to understand and you would like some clarification.

Problem sets. Weekly problem sets will be assigned, out of which ten will be graded. The best nine grades count towards your final grade. All assignments are expected to be typed and submitted on Moodle. If graphs are needed, you may hand draw them and scan and include

them in your typed document. Assignments are due at 11:55pm of the due date. No late submissions are accepted. You may collaborate with your classmates on the assignments. However, you must each submit your own written work. Problem sets are graded by the TA on a scale of  $\sqrt{-}$  /  $\sqrt{/}$  /  $\sqrt{+}$ . Solutions will be posted and you are expected to make good use of them.

Country Study Project. Each student will choose a country of interest and prepare a three-part presentation: a section on the country's trade situations and trade policies, a section on its balance of payments, exchange rate and related macroeconomic policies; and a final section addressing a special issue of the country in relation to our discussion in the course.

Midterm Exam. The midterm is tentatively scheduled to take place during the week of Oct. 17<sup>th</sup> or 24<sup>th</sup> (after the fall break).

Final Exam. The final exam will take place during the finals period. [Exam schedule](#) will be posted by the Registrar once determined. The final exam is cumulative.

A passing grade for the course cannot be achieved without satisfactory and timely completion of all course requirements.

**Grading complaints:** If you find any mistake in grading of your problem sets or exams, please submit a written request to me within one week of grades posted.

**Catching my mistakes:** You can earn extra credit by catching mistakes or typos in my lectures, slides and the textbook. If you are the first in the class to notify me of a mistake, you will get two tenths of a percentage point toward your final grade, up to a max of two percentage points.

**Special Lectures:** The department invites distinguished outside speakers to give lectures. Occasionally, the topic is related to international economics. You are encouraged to attend. Questions on lecture contents may appear in exams.

**Academic Integrity:** As a faculty member, I am strongly committed to upholding the college's academic policies, including those on [academic misconduct](#).

**Accommodation:** If you believe that you need accommodations for a disability, please contact Leslie Hempling in the Office of Student Disability Services (Parrish 113) or email [lhempli1@swarthmore.edu](mailto:lhempli1@swarthmore.edu) to arrange an appointment to discuss your needs. As appropriate, she will issue students with documented disabilities a formal Accommodations Letter. Since

accommodations require early planning and are not retroactive, please contact her as soon as possible. For details about the accommodations process, [visit the Student Disability Service Website](http://www.swarthmore.edu/academic-advising-support/welcome-to-student-disability-service) at <http://www.swarthmore.edu/academic-advising-support/welcome-to-student-disability-service>. You are also welcome to contact the professor privately to discuss your academic needs. However, all disability-related accommodations must be arranged through the Office of Student Disability Services.

#### **Tentative Course Outline**

Week	Topic	Chapters
	<b><i>Introduction</i></b>	
1	Introduction; Partial Equilibrium Model of Trade	1, 2, 9
2	Comparative Advantage and Gains from Trade; Standard General Equilibrium Model	3, 6, 12
3	Inter-temporal Trade and Balance of Payments; Exchange Rates	6, 13, 14
	<b><i>International Trade (Microeconomics)</i></b>	
4	Classical and Neoclassical Theories of Trade	4, 5
5	Scales Economies and Firms in Trade	7, 8, 12
6	Trade Policy; Political Economy of Trade Policy	4, 6, 8, 9, 10
	<b><i>Fall Break</i></b>	
7	Factor Movements; Economic Integration	4, 8, 10
8	Trade and Development	11, 12
	<b><i>International Finance (Macroeconomics)</i></b>	
9	Exchange Rate Determination	14, 15, 16
10	Macroeconomic Policy and Exchange Rate	17, 18
11	Macroeconomic Interdependence and the International Monetary System	18, 19, 21
12	International Finance and Development	20, 22
13	<i>Catch-up and Review</i>	

## **Presentation/Discussion Topics**

<b>Week</b>	<b>Topic</b>
3	Global imbalances
4	Trade, technological change and income inequality Empirical evidence on Ricardian and H-O models
5	Heterogeneous firms and trade <sup>§</sup>
6	The (domestic) political economy of trade policy
7	Multinationals and outsourcing Immigration and the US economy International trade agreements: GATT, WTO and PTAs
8	Trade policy and economic development Trade and the environment
9	Burgernomics – the Big Mac index
10	Liquidity trap <sup>§</sup>
11	History of the international monetary system Euro and the Greek crisis
12	Global financial crisis of 2007-2009 Developing country crises

<sup>§</sup>: These topics are slightly more technical or theoretical than others.

*This syllabus is subject to revisions. For the latest version, visit the course's Moodle page.*