GX413

OLLSCOIL NA hEIREANN, GAILLIMH
NATIONAL UNIVERSITY OF IRELAND, GALWAY

SUMMER EXAMINATIONS 2002

INTERNATIONAL MACROECONOMICS
Financial Mathematics and Economics **(EC420)**
M.A. and M.Econ.Sc. **(EC525)**

Professor Huw Dixon
Professor M.P. Cuddy
Dr. Joan O'Connell

Time allowed: 2 hours

Answer any three questions

1. Comment briefly on *any three* of the following:

   (a) The Marshall-Lerner condition
   (b) Fiscal policy in a small open economy with perfect capital mobility and a flexible exchange rate, in the context of the Mundell-Fleming model
   (c) Currency substitution
   (b) Covered interest parity
   (c) The n-1 problem under the Bretton Woods international monetary arrangements (adjustable-peg exchange rate system)

2. What is the monetary theory of exchange rate determination?

3. Are foreign exchange markets efficient?

4. 'Conventional wisdom holds that, if shocks to the goods markets are more prevalent than shocks to the money market, a flexible exchange rate is preferable to a fixed rate'. What does this sentence mean?

5. Outline *any one* theory of currency crises