

NAME:

Global Market and Economic Policies
Module 2: International Monetary Economics

Exam

1 September 2017: 1,30 minutes

Section 1 (12 points)

Answer all questions:

- 1) The exit of Southern-European countries will improve the correspondence of the Euro Area to an optimal currency area.

True.... False.....

Why?

- 2) The wealth effect from the housing bubble and from financial innovation supported excessive household consumption leading to the “Great Financial Crisis of 2007-08”

True.... False.....

Why?

3) Assessing the well-being of a community requires considering how various outcomes are distributed within society. True, False, Why?

True.... False.....

Why ?

Section 2a (6 points)

Answer one of the following questions

- 4) “In an environment with fixed exchange rate and fixed prices, monetary policy has no effect on economic variables”. Comment

OR

- 5) Present and discuss two no-arbitrage conditions of your knowledge. Are they empirically valid?

Section 2b (6 points)

Answer one of the following questions:

- 4) Present and discuss a theory explaining the increasing income inequalities in the US
- OR
- 5) Explain the three interlinking crises that hit the euro area and how they interact

Section 2c (6 points)

Answer one of the following questions:

- 1) Standard consumer theory describes the economic well-being of people as a function of the goods and services that they can consume. Describe some of the main limits of this perspective

OR

- 2) "Well-being" is a multi-dimensional concept that can be measured through either dashboards of indicators or composite measures. Describe the pros and cons of each approach, and some of the indicators that are most relevant for assessing the well-being of a country.