

Advanced International Economics
Economics 823
Fall Semester 2002
E. W. Nafziger
Mid-term Take-home Exam
Mon., October 20, 2003
Exam due Monday, November 3, 2003

Write on three of the following four questions (each question is worth 33 points, with one bonus point at the end to make 100 points possible):

(1) Stanley Fischer supports a bipolar view, indicating that for developing countries open to international capital flows soft, hard pegs and clean floats are sustainable but that soft exchange rate pegs, including managed floats are not sustainable. Morris Goldstein contends that the best regime choice for developing countries is a “managed floating plus” regime. Discuss which exchange-rate system (options indicated by Fischer or by Goldstein, or some other option) is preferable for developing countries, including a discussion of policies toward international capital movement and a consideration of goals for developing countries.

[Note: instead of discussing the question generally, you can discuss the question as it applies to (a) either Asian, Middle Eastern, Latin America, *or* sub-Saharan Africa economies; (b) any one developing country from Asia, the Middle East, Latin America, *or* sub-Saharan Africa; *or* (c) Russia, a C.I.S. country, *or* one of the ten EU accession countries (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) scheduled to become EU members in 2004.]

(2) Discuss whether the US current-account deficit is sustainable?

(3) Discuss the nature of, the reasons for, and ways to avoid a crisis similar to the 1994-95 Mexican, 1997-99 Asian (i.e, Thai, Indonesian, Malaysian, and Korean), 1998 Russian, 1999 Brazilian, or 2000-2003 Argentine financial crisis.

[Note concerning substitutions allowed: (a) you are allowed to choose a single country among those experiencing the Asian crisis; (b) you are allowed to substitute a contemporary financial crisis in sub-Saharan Africa or the Middle East; or (c) with consultation of the instructor, you are allowed to substitute another region or country undergoing a recent financial crisis.]

(4) In light of recent financial, exchange-rate, or debt crises in developing economies, indicate the changes you recommend in the international financial system or "architecture" (an international system can include regional arrangements). Discuss.

Send your paper to me as an email attachment (readable in or convertible to Word), or hand in your paper to me by 12:30 p.m., Monday, November 3, 2003.

Length, method of citation, etc.: Each question should be answered in no more than (equivalent to) roughly 16 typewritten double-spaced or 8 typewritten single-spaced pages (not counting graphs and tables, which are to be limited to no more than 3-4 extra pages per question). Be sure to cite sources (see below).

Here are examples of how you should cite sources - from required readings: (Fischer 1999, p. 89); from other students: (Conversation with Elizabeth Smith, October 8, 2003); from the lecture: (Lecture, October 8, 2003). For sources outside the readings, list as (Jones 2003: 36-38) for author, year, and pages in text; in the references (does not have to be included in the 16 double-spaced or 8 single-spaced limit), include author, title, publishing information if book (city, publishing company, year, and pages, if relevant) or journal (name of journal, volume number, date, page numbers). See the American Economic Review for an example as to how to cite. For material on the web, the bibliographical citation must be complete, for example, Partha Dasgupta, "The Economics of the Environment," Proceedings of the British Academy, Volume 90, pp. 165-221, Copyright © The British Academy, 1996, available at <http://britac3.britac.ac.uk/pubs/keynes95/06sec5.html>.

When the questions are complete, this take-home examination counts 100 points, compared to 100 points for the final examination, and 100 points for your research paper. Moreover, I will raise your semester numerical score if you make an excellent contribution to class.

Feel free to hand in an earlier draft so that I can give you comments that will allow you to improve your paper (but give me a few days to respond), or ask questions about your progress at earlier stages of work on your paper.

Alternative: As an alternative you may write an original empirical or analytical work related to a major issue we have discussed in class. If you choose a topic of this sort, please discuss this with the instructor, so that we can negotiate what would be reasonable expectations, given the time constraint.

Advanced International Economics
Economics 823
Fall Semester 2003
E. W. Nafziger
Final Take-home Exam
Mon., December 1, 2003

Exam due at the scheduled time of the final exam, December 18, 2003, 4:10 p.m.
100 points for 3 questions

Write on the following three questions (each question is worth 33 points and each person gets 1-point bonus):

(1) Write an essay on the extent of the recent change in the skill premium and the factors that influence the change in skill premium. "Recent" means the last two to three decades or so. "Skill premium" refers to the ratio of skilled to unskilled wages. The essay should refer to one country, either developed or developing. (You can use the United States or some other country.)

(2) Indicate clearly the way you would ask the major one or two questions of a student presenter (except your own presentation) in December [the question(s) can range from one sentence to several sentences]. Then answer that question.

(3) Write on either *a*, *b*, or *c*:

a/ What are the implications of the euro for exchange rate policies of developing countries? (you can choose a developing-country nation-state or a developing-country region instead of developing countries generally). Discuss.

b/ What impact will the euro have on the US, especially the use of US dollar reserves by other countries? Discuss.

c/ Does the encouragement of regional trade organizations (RTOs) under Article XXIV of GATT/WTO increase or reduce world welfare? Discuss. What are the policy implications of your analysis? Discuss.

Procedure, Citation, and Weight

The exam counts 100 points.

Send your paper to me as an email attachment (readable in or convertible to Word), or hand in your paper to me (in my mailbox, my Waters 312 office, or to a secretary in Waters 327 to give to me) by December 18, 2003, 4:10 p.m.

Here are examples of how you should cite sources - from required readings: (Polack, p. 62); from other students: (Conversation with Michael Jones, December 15, 2003); from the lecture: (Lecture, November 20, 2003). For sources outside the readings, list as (Smith 1999: 36-38) for author, year, and pages in text; in the references, include author, title, publishing information if book (city, publishing company, year, and pages, if relevant) or journal (name of journal, volume number, date, page numbers). See the *American Economic Review* for an example as to how to cite. For material on the web, the bibliographical citation must be complete, for example, Partha Dasgupta, "The Economics of the Environment," *Proceedings of the British Academy*, Volume 90, pp. 165-221, Copyright © The British Academy, 1996, available at <http://britac3.britac.ac.uk/pubs/keynes95/06sec5.html>.

Feel free to hand in an earlier draft so that I can give you comments that will allow you to improve your paper (but give me a few days to respond), or ask questions about your progress at earlier stages of work on your paper.