

2019-2020 年第一学期国际金融（英）期末考试试卷

(Attention: ①“Illustrate” means “Draw graphs”; ②You should answer in English)

1. (20 points) The Lithuanian lita is pegged to the euro before 2015. Using the IS-LM-FX model for Lithuania and Eurozone, illustrate how each of the two following scenarios affect Lithuania, and explain how each variable changes.
 - (a) (10 points) The Eurozone increases its money supply as a response to the 2008 world financial crisis.
 - (b) (10 points) Lithuania increases government spending.

2. (20 points) Assume country A has a $GDP=Q=50$ per year, the world's interest rate is 10% and keep constant. We assume $I=G=0$.
 - (1) (15 points) If country A has a consumption of 50 per year, and in year 0, there is an unexpected shock on the output, it falls 11 in year 0 but will return to 50 in every future years. Answer the following questions.
 - (a) (3 points) If country A desires to smooth consumption, what will the new level of consumption be from then on?
 - (b) (2 points) How much should country A borrow in period 0?
 - (c) (3 points) Calculate country A's trade balance in period 0 and later periods.
 - (d) (3 points) Calculate country A's net factor income from abroad in period 0 and later periods. And what about net unilateral transfers?
 - (e) (2 points) Calculate country A's current account in period 0 and later.
 - (f) (2 points) Calculate country A's external wealth in period 0 and later.

(2) (5 points) If there is an investment, costs 10 in year 0 and is predicted to make benefits about 2 per year in later periods.

(a) (3 points) If country A still want to manage smooth consumption, what will the new level of consumption be from then on?

(b) (2 points) How much should country A borrow in period 0 in this case?

3. (20 points) Questions on balance of payments and current accounts.

(1) (5 points) Many American economists believe that the United States has a huge trade deficit, which is because countries such as China export too many goods to the United States but import too little. Do you agree with this argument? Use the concept of trade balance to analyse it.

(2) (12 points) Show how each of the following cases would affect the China balance of payments. Include a description of the debit and credit items, and in each case identify which specific account is affected.

(a) (3 points) You paid 54000 Japanese yen in cash for your hotel bills in Japan.

(b) (3 points) You bought baby formulas on a foreign website and paid \$80 using a credit card.

(c) (3 points) Chinese government grants a \$10 million debt.

(d) (3 points) Yao Ming bought a house in the United States using an account of the Bank of China.

(3) (3 points) Given the change in external wealth. How can a country accumulates its external wealth?

4. (15 points) For each of the following situations, use the IS-LM-FX model to illustrate the effects of shock and policy response. Assume the government of country B responds by using monetary policy to stabilize output.
- (a) (5 points) In this case the exchange rate is floating. If there is a negative shock on country B, let its money supply fall. Show the impact of the shock and the following stabilization policies on Y , I , E , C and TB .
- (b) (5 points) In this case the exchange rate is fixed. Explain why fiscal policy can sometimes increase the output dramatically.
- (c) (5 points) In this case the exchange rate is fixed. Explain why monetary policies are useless at fixed exchange rate.
5. (15 points) Questions on the exchange rate theory.
- (1) (5 points) Give two ways to forecast the exchange rate, with the two parity employed. Tell what economic data you need.
- (2) (5 points) Assume South Korea's three largest trading countries are China, the United States, and Japan. Once there is a hard hit on trade between South Korea and Japan because of political conflicts. In this case, what will happen to the effective exchange rate of South Korea?
- (3) (5 points) State the trilemma, and briefly prove it using the UIP equation. Do you think that in today's financial globalization, the trilemma will be solved or not? Why? If not, what will the trend be? Explain your answer.