

George Mason University
International Economics Field Examination
August 2001

Instructions: Answer 5 (five) of the following 6 (six) questions clearly and concisely. Unclear or incoherent arguments will be considered incorrect.

1. What model and/or economic intuition can explain the following events? (You may use a different model for each event)
 - (a) After a sudden increase in productivity, a small open economy experiences a significant decline in its savings rate.
 - (b) You observe that the variabilities of the nominal and real exchange rates are similar.
 - (c) A country experiences an adverse terms of trade shock, after which its currency depreciates vis-a-vis other currencies.
2. "Most speculative attacks on currencies come with no warnings, and with little or no change in fundamentals." Do you agree with this statement? Explain. Discuss at least two speculative attack models to defend your answer.
3. What is the role of international trade in economic growth? Does economic openness foster or hinder productivity growth? Discuss a theoretical model and recent empirical evidence in your answer.
4. What caused the debt crisis of many Latin American countries during the early 1980s? Are there any similarities with the more recent crises of the late 1990s? What role did capital flows play in each of these crises? Can the crises be prevented? Why or why not? Explain.
5. Is the behavior of exchange rates predictable over time? Explain what should, in theory, determine the value of one currency vis-a-vis another. Does your answer depend on whether you are looking at the short-run versus the long-run? Does it depend on whether you are looking at real versus nominal exchange rates?
6. What has been the most typical growth and development pattern among countries? What explain this pattern? Do neoclassical models provide an adequate explanation for these patterns? Why or why not? If not, discuss and explain a model that does provide an answer.