

Final Exam
Odd Semester 2016/2017
International Economics (ECEU603200)
Lecturer : Fithra Faisal Hastiadi, PH.D.
Open Book, Open Notes
180 Minutes

1. China high savings rate is helping to keep the real exchange rate undervalued and is helping China sell goods to the rest of the world. Comment! (25 Points)
2. The US trade representative in Indonesia is complaining: "Due to the inflationary monetary policy in your country, your exchange rate has been steadily devaluing for a long time. This makes it impossible for the US to export in your country." What is wrong with this line of argument? (25 Points)
3. To aid in its efforts to get reelected, the current government of a country decides to increase the growth rate of the domestic money supply by two percentage points. The increased growth rate becomes "permanent" because once started it is difficult to reverse. What do you think will happen to the exchange rate value of this currency in the long run? Why? What does this say about purchasing power parity (PPP)? (25 Points)
4. "A nation is enriched as its balance-of-trade surplus grows, so policy should always be aimed at maximizing the trade surplus." Is this quotation correct? Why or why not? Discuss using the terminology and techniques discussed in class, including trade policy, welfare analysis, foreign exchange markets, and the balance of payments. (25 Points)

The logo for Kanopi FEBUI is a large, stylized letter 'K' composed of several overlapping triangles in shades of blue and yellow. Below the 'K' is the text 'Kanopi FEBUI' in a bold, blue, sans-serif font. Underneath that, the tagline 'Unity in Development' is written in a smaller, lighter blue, sans-serif font.

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