

UNIVERSITÄT OSNABRÜCK
FACHBEREICH WIRTSCHAFTSWISSENSCHAFTEN

Cover page
(Klausurdeckblatt)

Exam in subject (Prüfung im Fach)	International Finance
Examiner (Prüfer)	Prof. Frank Westermann, Ph.D.
Date (Datum)	19.07.2024

Participant
(Klausurteilnehmer/in)

Course of studies (Studiengang)	
Last name, first name (Name, Vorname)	
Matriculation number (Matrikel-Nr.)	

Points obtained
Erreichte Punkte

* Please answer all questions *
(Es sind alle Aufgaben zu bearbeiten)

Points (Punkte)			
A1	A2	A3	A4

Grading
(Benotung)

Total score (Gesamtpunktzahl)	
Grade (Modulnote)	
Examiner signature (Prüferunterschrift)	



Exam in “International Finance“

Summer semester 2024

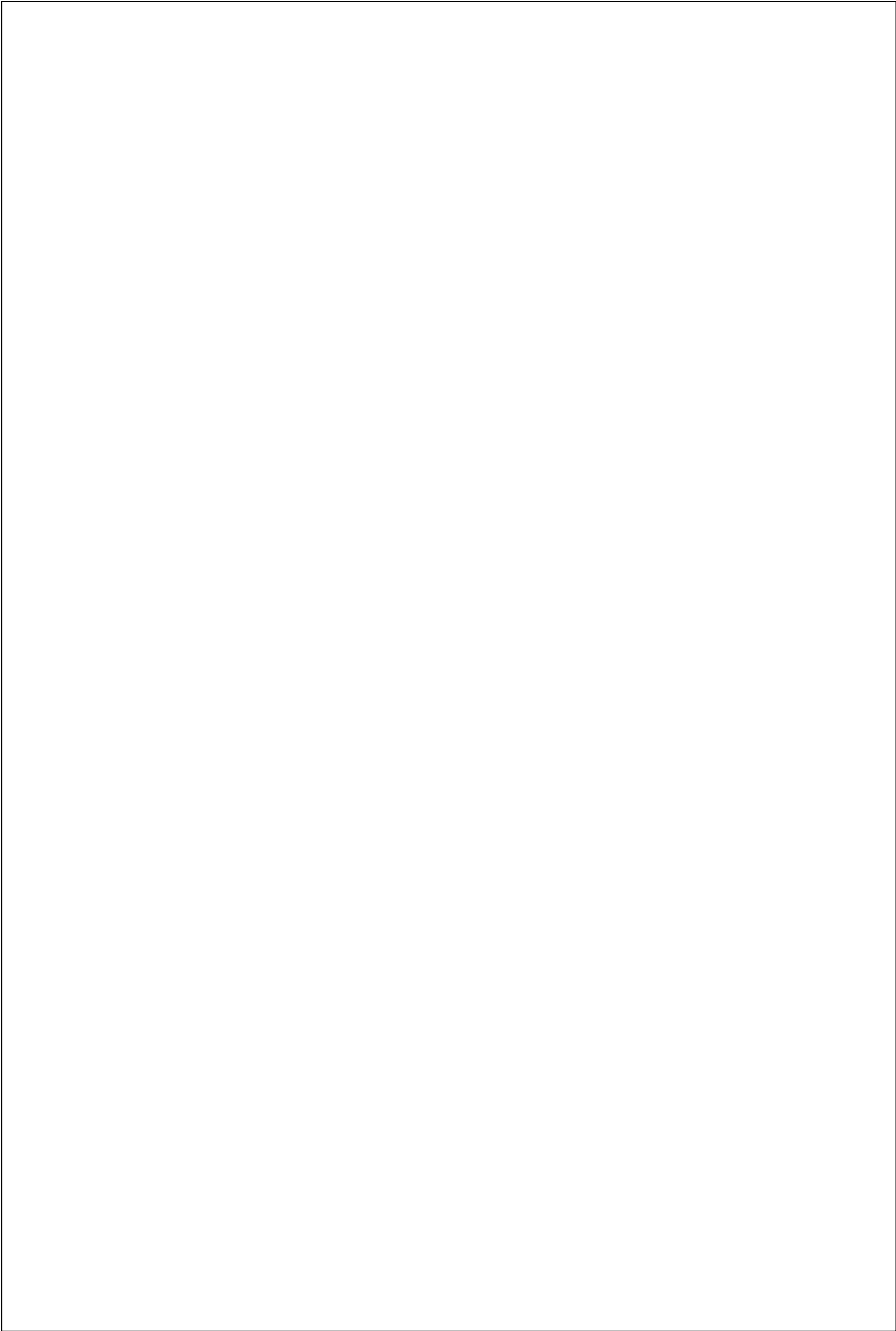
Total points: 60 points

For all questions: Please label all graphics thoroughly and completely describe the notation of all formulas and variables!

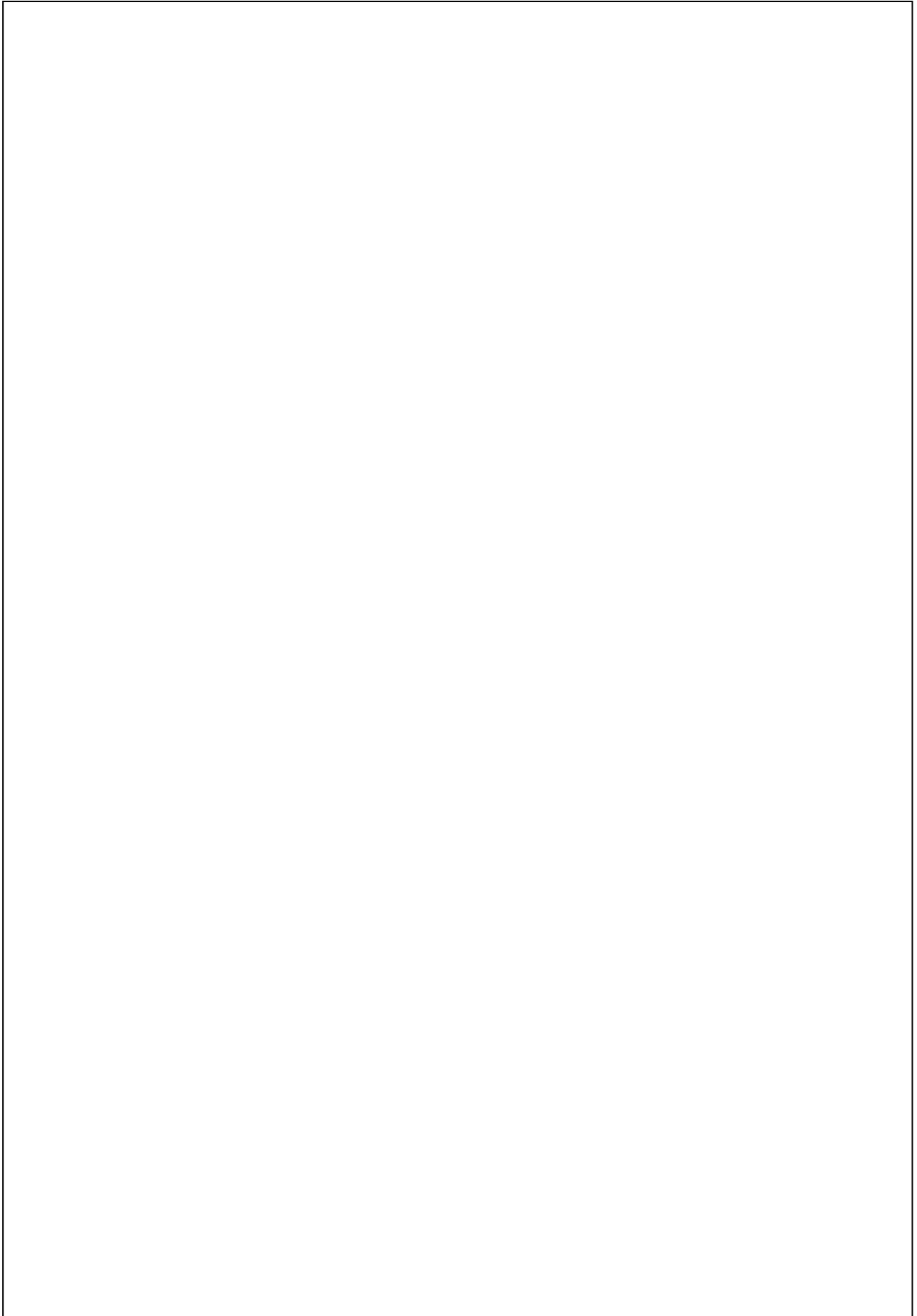
Question 1: Mundell-Fleming model (18 points)

- a) Which variables are determined inside the Mundell-Fleming model (endogenous)? (2 points)

- b) Starting from the flow-identity in the open economy: $Y = A(Y, i, \bar{T}, \bar{G}) + TB(\bar{e}, Y, \bar{Y}^*)$, derive the slope of the open-economy IS-curve, using the total differential. (7 points)



- c) Discuss in detail the effects of expansionary monetary policy (increase in money supply) in case of a *floating* exchange rate. Show the effects graphically. (6 points)

A large empty rectangular box with a thin black border, intended for the student to draw a graph and provide a detailed discussion of the effects of expansionary monetary policy under a floating exchange rate.

d) Discuss one shortcoming of the Mundell-Fleming Model, using the J-curve. (3 points)

Question 2: Interest and Purchasing Power Parities (14 points)

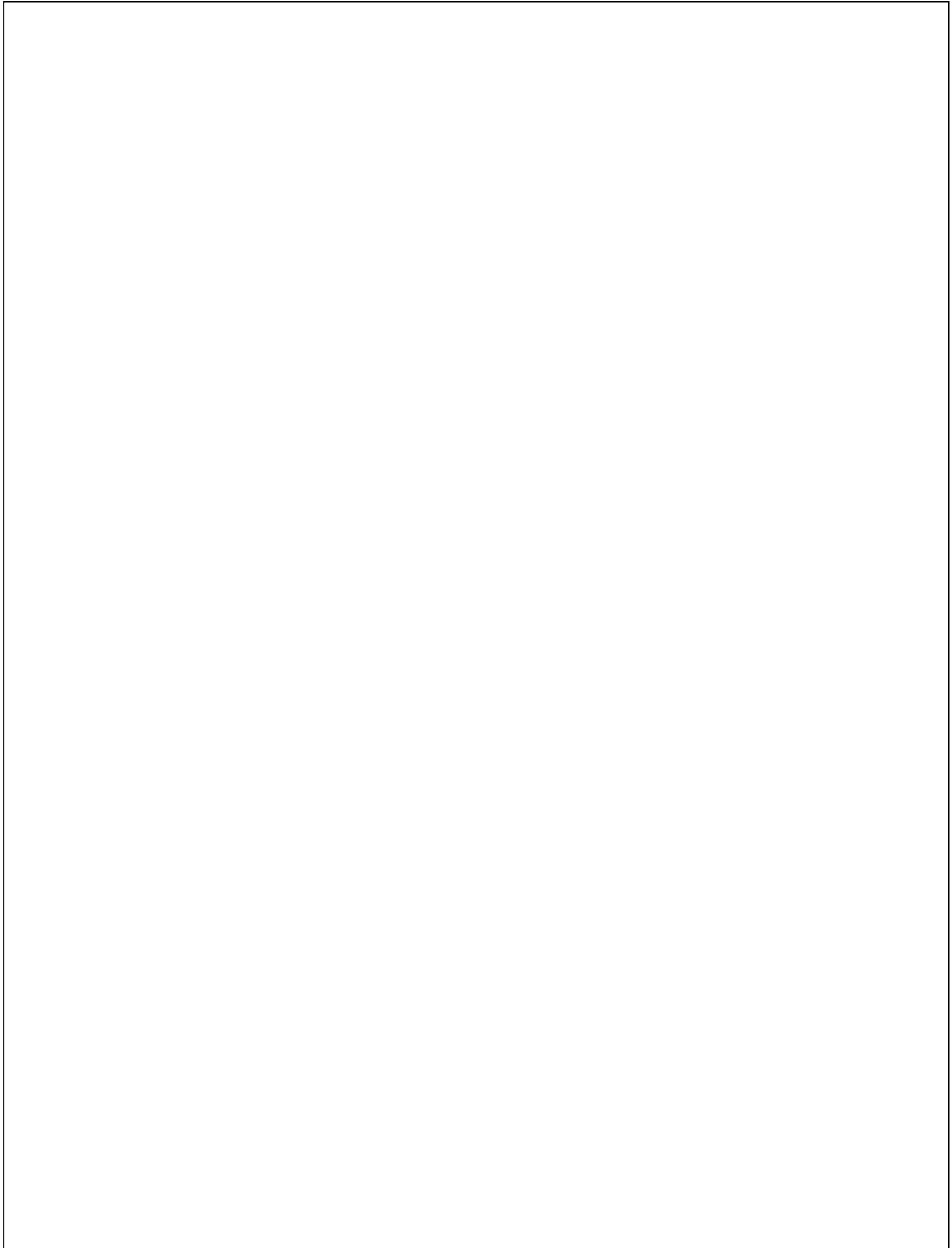
a) What is the expected dollar return on euro deposits for the US investor if the bilateral spot exchange rate is $1\$/\text{€}$, expected exchange rate is $1.05\$/\text{€}$, and the interest rate on euro deposits is 0.05? Explain which parity you use. (4 points)

- b) How would you test this parity empirically? Provide the necessary regression(s), state the null hypothesis and test(s) you should use. (6 points)

- c) Formally derive and explain the intuition of the Fisher effect. (4 points)

Question 3: Exchange rate models and exchange rate regimes (18 points)

- a) Monetary model: Sketch a graph of a money market equilibrium, clearly stating the names of axes and curves. Explain the slope of money supply curve. Show how an increase in domestic income changes equilibrium at the domestic money market. (6 points)



- b) Portfolio balance model: explain how changes in preferences for foreign stocks affect the exchange rate (4 points)

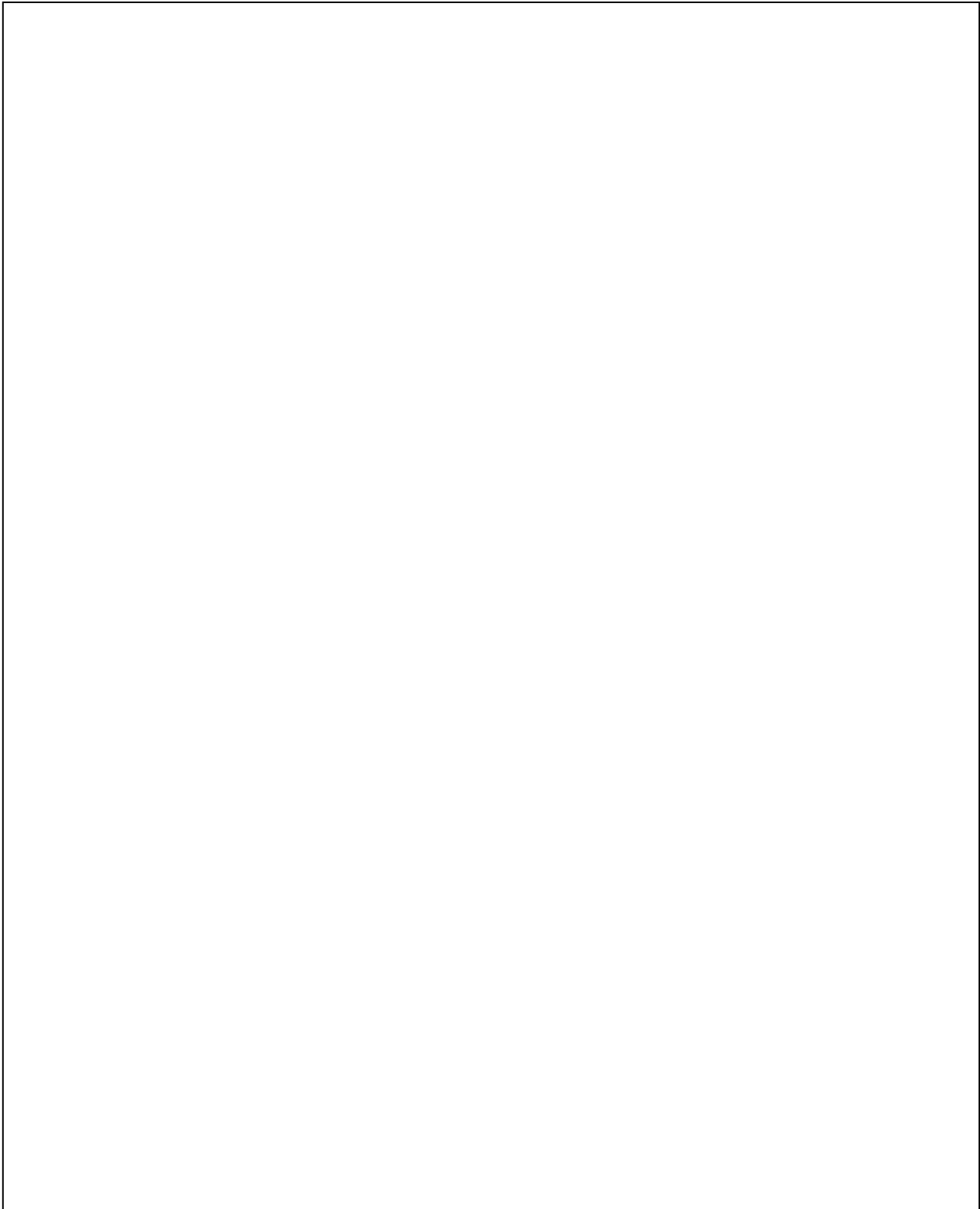
- c) Name two groups of investors in the behavioural model of exchange rate determination and formally show the rules that they follow. (5 points)

d) Provide intuition for an exchange rate regime of a crawling peg (3 points)

Question 4: National Accounting in the Open Economy and Balance of Payments (10 points)

a) Write an expression for the gross national disposable income in the open economy. Write one sentence explanation for each of the terms. (4 points)

- b) Graphically show the effect of a temporary (unanticipated) negative output shock in an intertemporal model of the current account. What is the main implication of this model about temporary output shocks? (6 points)



The Chair of International Economic Policy wishes you good luck!

Please sign the exam on the last page before handing it in.