

Answer Key

Q.1 Attempt any two of the following

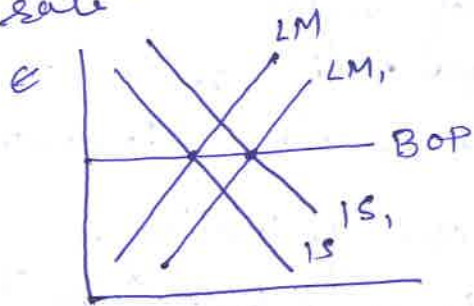
a) what are the export and imports functions?  
Ans:- Export-import factors changes in ENP due to trade.

b) Why Equilibrium EDP consistent with trade balance.

Ans:- Define EDP, equilibrium EDP, Define BOP BOP relationship between EDP & Trade ENP equations with foreign trade

c) Examine the fiscal policy with fixed exchange rate.

Ans:-



Define fiscal policy / Exchange rate policy & Effect of fiscal policy on fixed exchange rate

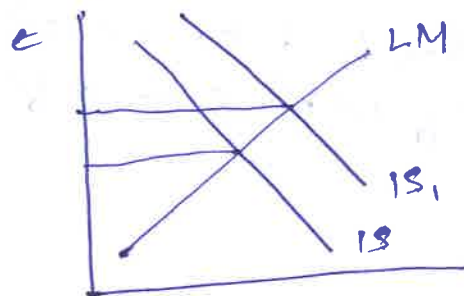
Q.2 Attempt any two of the following

a) Discuss uncovered interest parity in detail.

Ans:- Describe Determination of exchange rate effect of changes in interest rate on exchange rate.

b) Examine the fiscal policy under flexible exchange rate system.

Ans:-



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Q Discuss the Mundell-Fleming trilemma  
Ans:- Descartes & Deau Mundell-Fleming model

Q 3. Attempt any two of the following.  
a) Discuss the choice of regime between fixed & flexible exchange rate system  
Ans:- Merits/ Demerits of fixed exchange rate

b) Why the BOP need not balance under fixed exchange rate system?  
Ans:- component of BOP - connection between BOP & fixed exchange rate system.

c) Explain the relationship between exchange rate crisis & other kinds of crisis.  
Ans:- concept of 'exchange rate' crisis -

- examples of other crisis - financial crisis  
Q.4. Attempt any two of the following.  
a) What are the key issues debated in the broader context of

Ans:- Introduction to Bretton woods  
Key issues in Bretton woods

b) Maashricht treaty  
Ans:- creation of European Union & Euro and Maashricht treaty

c) Euro crisis: Euro debt crisis - default-spillover  
Euro crisis: Euro debt crisis - default-spillover

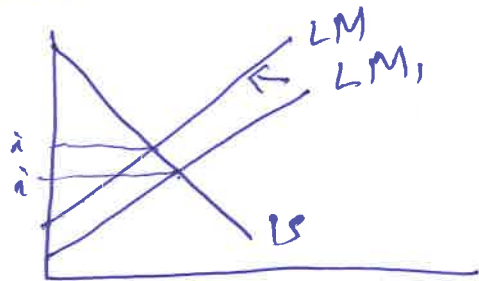
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Q. 5 a) Trade balance & GDP

Ans: - GDP equation & trade balance role to GDP

b) The monetary policy under flexible exchange rate.

Ans: -



Independence of Monetary policy

Ans: c) The exchange rate crisis  
Impact of macroeconomic variables on exchange rate. Exchange rate crisis & variability in exchange rate.

Ans: d) The Gold Standard.  
- The system of Gold standard  
- Gold standard in interwar period.

