This homework assignment requires you to answer essay questions based on your reading of the slides for the last part of the course.

1. Explain the functioning of Dornbusch’s model of exchange rate overshooting.

2. Briefly summarize and explain the reasons for the dynamics of the dollar’s exchange rate in the 1980s.

3. Why did European countries decide to limit exchange rate flexibility among themselves and eventually form a monetary union?

4. What are the pros and cons of fixed exchange rates?

5. What caused the crisis of the European Monetary System in 1992-1993?

6. What caused the Asian crisis of 1997?

7. Briefly explain the experience of Argentina between the late 1990s and 2002.

8. Explain the emergence of global imbalances in the international economy in the 1990s and 2000s.