Examination	**International Macroeconomics and Finance**
Semester:	**Winter 2000/01**
Examiner:	**Prof. Dr. Gerhard Schwödiauer**
The following aids can be used:	**None**

Examination Questions

Note: You may answer the questions in English or German!

1. Study the short-run impact of an increase in the foreign interest rate on all relevant domestic economic variables (including the price level) under a regime of freely floating exchange rates and perfect international capital mobility geometrically and algebraically (using a small linear static model)!

2. Study the same question as above using a small linear dynamic model à la Dornbusch (assuming that the change in the foreign interest rate is practically permanent). Again, employ also some geometrical illustrations of your arguments!

3. The other week, the European Commission reprimanded the government of Ireland for running a too expansionary fiscal policy (though it had to admit that Ireland, with a budget surplus of 5% and a state debt of 40% of GDP has overfulfilled the Maastricht and stability-pact criteria). True is that over the last couple of years the Irish economy has been booming showing real growth rates of 6% on the average accompanied by higher inflation rates (roughly twice as high) than the average in the Euro-zone. The Commission expressed the fear of an inflationary contagion effect for the rest of the EMU and demanded a more restrictive fiscal stance of Irish Economic policy. Is this warning, in your opinion, justified? How would you argue if you were an economic policy adviser to the government of Ireland?