

Practice Quiz 2

International Studies 421/803
Spring 2008

Mr. Easton

I. Answer the following questions True, False or Uncertain and briefly explain your answer. Each question is worth 6 points. (Note there are more questions than will be asked on the exam, so don't panic. Normally I would ask you to answer 5 and have one essay question.)

1. Under the gold standard it is easy to accumulate any amount of gold.
2. In the nineteenth century poor transport and communications meant that very little goods and capital could flow across borders.
3. A fixed exchange rate system provides certainty about the relative value of countries' monies.
4. We care about international liquidity.
5. An increase in real income causes the balance of payments to deteriorate.
6. According to monetary theory, two countries with the same rate of growth of the money supply should also have the same rate of inflation.
7. If the money supply is growing at 10% per year, inflation is likely to be about 14%.
8. 1973 was a very bad year for international monetary relations.
9. If capital is free to flow across borders, workers are better off.

II. Answer the following question(s). Each question is worth 30 points.

1. As conceived at Bretton Woods, what was the purpose of the IMF?
2. Explain how the role of the IMF has evolved.
3. It's time to kill the IMF. Discuss.
4. Who gains and who loses from the flow of capital internationally?