

SIMON FRASER UNIVERSITY  
Department of Economics

Econ 345  
International Finance

Prof. Kasa  
Fall 2017

PROBLEM SET 3  
(Due December 1)

The following questions are short answer. 25 points each.

1. Bitcoin has been in the news a lot recently. Let's suppose that someday the international finance system becomes based on bitcoin (i.e., bitcoin is used to buy goods and store wealth). According to Krugman in his article posted on the class webpage entitled "Golden Cyberfettters", would this be a good thing? What lessons from history does he use to make his point? (See also the Case Study in Chapter 19 (International Monetary Systems: An Historical Overview) entitled *The International Gold Standard and the Great Depression*).
2. Read the article by Obstfeld posted on the class webpage entitled "Does the Current Account Still Matter?". According to Obstfeld, does the current account still matter? Why or why not?