

SIMON FRASER UNIVERSITY
Department of Economics

Econ 345
International Finance

Prof. Kasa
Spring 2022

PROBLEM SET 2
(Due March 25)

1. (25 points). Read the article by Paul Krugman in the *New York Times* entitled “Golden Cyberfettters”, which is posted on the class webpage. According to Krugman, would adopting a bitcoin-style monetary system be a good idea? Why or why not? How would a bitcoin system resemble the ‘gold standard’ of the 1800s and early 1900s? Can you think of any improvements to a digital currency system that would produce better macroeconomic outcomes?
2. (25 points). Inflation is becoming a problem in the USA right now. As a result, the Fed is widely expected to engage in monetary contraction (ie, higher interest rates/lower money supply) in the months ahead. Compare and contrast the effects this policy will have on Canada and China. Use graphs to illustrate your answer. (Hint: Canada has a flexible exchange rate against the dollar, whereas China pegs to the dollar).