SIMON FRASER UNIVERSITY
Department of Economics

Econ 842   Prof. Kasa
International Monetary Economics   Spring 2007

PROBLEM SET 1 - CURRENT ACCOUNT DYNAMICS
(Due January 30)

1. Do Exercises 2 and 3 from Chpt.1 of Obstfeld & Rogoff (pgs. 55-56).

2. Do Exercises 6 and 8 from Chpt. 2 of Obstfeld & Rogoff (pg. 126).

3. Using the data on the webpage, and whatever software you want, report plots of the
   nominal and real exchange rates (relative to the U.S.) for the U.K., Japan, and Canada
   (use GDP deflators for the price levels). Next, report plots of the current account, as
   a fraction of GDP, for the U.S., U.K, Japan, and Canada.

4. Pick a country, and following the procedure outlined on pages 90-93 of the Obstfeld-
   Rogoff text, test the Present-Value Model of the current account (i.e., test the model's
   implied cross-equation restrictions). Plot the model's predicted current account against
   the actual current account. Comment on the model's fit. (Note: Be sure to express
   everything in real terms. Although, variables should also be expressed in per capita
   terms as well, don't worry about that. It shouldn't make much of a difference here).