INTERNATIONAL ECONOMICS
HOMEWORK 9
24/01/2014

1. Suppose the central bank wants to fix the exchange rate at 200 local currency units to the Euro — with a monetary supply of 4,500,000. Now suppose that a quater of this money supply is domestic credit. The government lacks fiscal descipline and the central bank has to finance its free spending, by increasing domestic credit by 12% per month, when will the country be forced to abondon its peg?

2. What are the main components of the balance sheet of a central bank?

3. ***Reminder: We agreed last session that we will attempt about 3 or 4 questions from the past Tutorials.***