Exam 3 (Total Points: 70)

(I) ISI/ Real exchange rates

(1) (4 pts) What was the role of the State Owned Enterprises (SOE) in the ISI?
(2) During certain periods, some countries kept their nominal exchange rate fixed while their domestic prices were growing faster than the US prices.
   (a) (6 pts) Give a definition of the Real Exchange Rate. Explain what happened to the real exchange rate during those periods.
   (b) (4 pts) What are the most likely consequences of this movement of the real exchange rate on the countries’ imports and exports?

(II) Taylor

(10 pts) Use a diagram and a good explanation to show why capital accumulation/investment decreased in Argentina during the interwar period (1913-1930).

(III) Debt/ Inflation

(1) (3 pts) Why was the secondary market price of Latin American debt during the 80's different from its face value?
(2) (3 pts) What is a debt buyback?
(3) (4 pts) What is the link between budget deficit and seigniorage?

(IV) Argentina/ Latin America since 90's

(1) (6 pts) Identify the two main characteristics of the currency board system used in Argentina during the period 1991-2001. What problems was it designed to address?
(2) (6 pts) What was the pattern of capital inflows into Latin America during the following two periods: early nineties and 1999-2002? What are the reasons that explain this pattern?
(3) (4 pts) Why has China become important for Latin America in the last few years?

(V) Former Soviet Union

(1) (4 pts) Why were firms so big during the in the central planning era?
(2) (4 pts) What were the main differences between the structure of GNP in the former Soviet Union and other comparable developed countries?
(3) (6 pts) Briefly characterize trade in the former Soviet Union and E. European countries under CMEA.
(4) (6 pts) According to Fischer what caused the “slowdown” (declining growth rates in output) in the USSR starting around 1970?