

International Macroeconomics Home work #3  
Ethan Kaplan

(1.) Currency Crises with Flexible Exchange Rates – 15 points

(a.) Choose a currency with a flexible exchange rate. Look over a 10 year window ending in 2005. Is this currency subject to speculative attacks and currency crises? Develop a formal measure of what it means for a flexible exchange rate to have a currency crisis and count the number of crises (potentially zero) in your 20 year series. – 5 points

(b.) Can a flexible exchange rate have a speculative attack? Outline a model which argues either (1.) it can happen, (2.) it can not happen, or (3.) it can happen under some conditions. You do not have to solve the model but you do have to write your assumptions using equations. – 5 points

(2.) There is a mistake in theorem 2 of Morris and Shin (AER; 1998). Find it and write down the correct proof. – 8 points

Note: A referee report is a review of an article which has been submitted to a journal. An editor makes a request for a report to help her decide whether the article merits publication. Referee reports start with a one page summary of the paper. They are then followed by a couple of pages of comments and an ultimate recommendation to the editor on publication. In your comments, you should point out any mistakes, any problems with robustness of results, and you are also allowed to recommend changes to the paper. Your decision on the paper should be based upon not only how well the paper is executed but how robust the conclusions are and how novel the paper is within the literature.

Question 3: You are asked to do a referee report for

“[From World Banker to World Venture Capitalist: The US External Adjustment and the Exorbitant Privilege](#)”, located at :

<http://ist-socrates.berkeley.edu/~pog/academic/exorbitant/> for the American Economic Review

- 7 points.