SEMESTER TWO 2026

ABERYSTWYTH BUSINESS SCHOOL

AB33520 Trade and International Monetary Systems

Time allowed : **3 HOURS**

Answer ANY THREE questions

CALCULATORS ARE PERMITTED (Casio FX83 or FX85 models only)

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STUDENTS MAY SUBMIT ANSWERS TO THIS PAPER IN EITHER WELSH OR ENGLISH

Once seated, students may complete the front cover of the answer book(s) and the attendance slip ONLY.

DO NOT TURN THE EXAMINATION QUESTION PAPER OVER UNTIL INSTRUCTED TO DO SO.

Question 1

Describe the Bretton Woods System and explain the reasons why the system collapsed in 1971 (100 marks)

Question 2

Discuss whether the Eurozone is an Optimum Currency Area (OCA) (100 marks)

Question 3

a) With reference to the currency war game, discuss the view that in the presence of externalities countries are better off if they coordinate their policies (50 marks)
b) Discuss potential obstacles to successful international policy coordination (50 marks)

Question 4

Using the IS-LM-UIP model and assuming a small open economy, discuss how a decrease in the foreign interest rate will affect the domestic economy under fixed and floating exchange rates. (100 marks)

Question 5

a) Discuss the strengths and limitations of fixed exchange rates (50 marks)
b) Discuss why fixed exchange rates are vulnerable to currency crises (50 marks)

Question 6

a) Discuss why an import tariff by a small importing country leads to loss in welfare. (70 marks)
b) Discuss how the proposed US tariffs can affect US prices and welfare. (30 marks)

END OF PAPER