

EXAMINATION

Course code: SFB11615	Course: International Economics
Date: 2.5.16	Duration: 4 hours, 09:00-13:00
Permitted sources: Calculator, mother tongue - English - mother tongue dictionary	Lecturer: Trond-Arne Borgersen
The examination: The examination papers consist of 2 pages inclusive this page. Please check that the examination papers are complete before you start answering the questions. The candidate should attempt to answer 3 out of 4 questions. Question 1 is compulsory for all students. In addition, you choose 2 questions from the questions 2, 3 and 4.	
Date of announcement of the examination results: 27.5.16 The examination results are available on the Studentweb no later than two workdays after the announcement of the examination results www.hiof.no/studentweb	



Question 1 is compulsory. In addition, you choose 2 questions from the questions 2, 3 and 4.

Question 1 (compulsory)

Consider an open economy importing a good Q. Discuss if it is beneficial for the importing country to impose a tariff.

Question 2

Consider a small open economy where capital mobility is perfect. The economy is frequently exposed to shocks to its real side, for instance to the economy's trade balance.

Discuss the optimal exchange rate for this kind of economy.

Question 3

Consider two countries engaged in intra-industry trade. Discuss the gains from trade in these two economies.

Question 4

The period preceding the financial crisis was characterized by strong house price growth and low mortgage rates. Discuss the incentives for increasing LTV-ratios among mortgagees and mortgagors in such a situation when assuming nominal return targets among the former.

Describe briefly the role of the international rating agencies in the period before the crisis and the actions taken by governments after the crisis to prevent a build-up of similar financial risk in the future.