

**IIE**

Date

Name:

Neptun/Email:

**Points:**

5: 35-40 points

4: 30-34 points

3: 25-29 points

2: 20-24 points

1. True or false (please explain your choice!)? (1 point each)

- a) International trade is only good for countries that have an absolute advantage in the production of some goods.
- b) The welfare of the Hungarian consumers decreases if the European Union introduces a tariff on cars.
- c) The Hungarian Central Bank would have to sell Euros if it wanted to make the Forint stronger.
- d) If there is a rise in the interest rate of the forint, the HUF/Euro exchange rate increases as well.
- e) The exchange rate is not affected when the Hungarian Central Bank starts to print money, because the new money does not leave the country.

2. Please define the following notions! (1 point each)

- a) opportunity cost
- b) intertemporal transformation curve
- c) interest rate parity condition
- d) real exchange rate

3. The following are known. Calculate the amount of excess products that can be made after specialisation, and give the mutually beneficial relative price range! (4 points)

country	production		production in autarky.	
	cocoa	computer	cocoa	computer
North	2 h/u	2 h/u	50 u	60 u
South	3 h/u	6 h/u	50 u	30 u

4. The marginal product of labour in country A is  $MPL=100-2L$ . The partner country (B) uses the same technology, and has the same amount land available. Country A has 20 million units of labour, country B has 10 million units. Describe the common labour market of the two countries with a graph! What is the real wage if no migration is possible, and what changes does the free movement of people trigger in the real wages? (4 points)

5. Hungary uses the managed floating exchange rate regime, the demand and supply functions are:  $S_{\text{€}}=20E-8.000$  and  $D_{\text{€}}=4.000-20E$ . What is the equilibrium exchange rate? How does the rate change, if Hungarian households have to repay some of their Euro debt, and they have to move €400 out of the country? (3 points)

6. Illustrate the income redistribution effect of a tariff introduced in a large country! (4 points)

