

## The Last One!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (10 points) For this question, go to the graph on the webpage listed below. You may want to change the number of years shown in the graph. If you want to see something amazing, click on "MAX". Last semester, what type of inflation did Argentina have? Explain your logic. What type of inflation do they have now? Explain your logic.

<https://tradingeconomics.com/argentina/inflation-cpi>

2) (15 points) What is the big disadvantage of a pegged exchange rate? Explain why that occurs.

3) (20 points) If you were ruling a small, poor country with its own currency, which of the six types of exchange rate regimes would you choose? Explain your logic, mentioning its strengths and including a description of why you did not choose one of the very similar regimes.

4) (15 points) Why is "shallow finance" bad? How do low real interest rates cause it to occur?

5) (10 points) Given the data on the webpage below, does the USA have a problem with its debt? Is that a debt service problem, internal transfer problem, or external transfer problem? Explain your logic.

<https://tradingeconomics.com/united-states/government-debt-to-gdp>

6) (15 points) Go to the first article below. Look at the section, "What's the plan to tackle the crisis?" What do you think is the best part of the plan? Explain your logic. Normally, IMF loans are given out in 30 -60 days. However, it has been just over a year since that article was written and the IMF has only given out about 1/4 of it (see the second link). Obviously, the IMF has not been impressed by what Sri Lanka has done. What do you think has caused the IMF to be hesitant? Explain your logic.

<https://www.bbc.com/news/world-61028138>

<https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=895&date1key=2024-09-30>

7) (5 points) The article in the previous question says that China and India have agreed to restructure Sri Lanka's debt. Why would they do that?

8) (10 points) Your book says that a debt/revenue ratio of 140% to 260% (depending upon the study) or higher is a problem. Why is it a problem? Is that a debt service problem, internal transfer problem, or an external transfer problem? Explain your logic.