

ECON-A4000 - Economics of Global Challenges

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Return method: through mycourses by the deadline

### **Problem Set 3: Question 4**

We discussed the gold standard and its relationship to the great depression in Lecture 10. I think my explanation was not perfect, and therefore I'm adding here this (*video*) in which Barry Eichengreen, an economist and economic historian, discusses fixed exchange rate systems such as the gold standard in the Great Depression and the euro system in the aftermath of the financial crisis.

1. According to the video, what are some advantages and disadvantages of fixed exchange rate systems?
2. How can countries that are in these exchange rate systems effectively respond to economic shocks? What are some features of the euro system that make it difficult to respond effectively?