Exchange Rates

1€ = $1.50
• You can exchange $1.50 for one Euro.
• You can exchange one Euro for $1.50

Perhaps not exactly, for there are usually transactions charges.
Exchange Rates

- You can exchange $1.50 for one Euro.
- You can exchange one Euro for $1.50.

1€ = $2.00
- You can exchange $2 for one Euro.
- You can exchange one Euro for $2.

The Dollar has depreciated.

- The Euro has appreciated.

But what determines exchange rates anyway?

Supply and Demand

Our Agenda

- Show how exchange rates are determined.
- Some history
Our Agenda

• Show how exchange rates are determined.
• Some history
• A review of international monetary systems.

Our Agenda

• Show how exchange rates are determined.
• Some history
• A review of international monetary systems.
• Issues in monetary systems.
  – The Euro
  – Currency Boards
  – Managed Float

End

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