

16.11: Discussion- Global Currencies

Respond to the following prompts in a post with a minimum of 250 words, then comment on at least TWO other posts. Respond to the posts indicating your agreement or disagreement with their position and why. Feel free to bring in additional references to these reply posts.

You now understand the economies of the world use a free-floating exchange rate system. This system creates problems and benefits for anyone doing business outside their own borders. An interesting way to look at the difference in purchasing power of the USD (US Dollar) compared to other currencies is with the [Big Mac Index](#). Be sure to read the footnotes at the bottom of the table. Notice the right-hand column gives the under/over valuation of that currency to the USD. Remember, this index is not an absolute measure, but it is a handy reference since Big Macs are available in every developed economy in the world. Use the index and a currency converter (like the one found [here](#)) to understand the exchange rate.

Discussion

- Find the currency of your home country and describe its value relative to the USD. If you are a U.S. citizen choose China, Japan, or the Eurozone (a country using the Euro). Is it under or over-valued compared to the USD? What problems or benefits do you think this relationship might cause for your country? Why?
- What problems or benefits do you think this relationship might cause for the US?
- Governments often intervene (manipulate) in foreign exchange markets to give their currency a more favorable rate. Do some research on the web to see what intervention has occurred or has been discussed lately regarding your country's currency.

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