Course: Global business environment 2
Assignment 1: Currencies and exchange rates in the news
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Link to the article

http://www.economist.com/blogs/buttonwood/2014/10/currencies?zid=295&ah=0bca374e65f2354d553956ea65f756e0

Analysis and opinion

The article discusses the effects of the policies by central banks in the US and Japan. Whereas the central bank of the US decided to stop with its quantitative easing (bringing more money into the economy by printing more) policy after two years, the central bank of Japan decided to increase this practice. The former did so to stop inflation, whereas the latter aimed to increase this. The effect of these decisions on the various stock exchanges across the world is discussed showing the interconnectedness of today's financial and economic markets. Using quantitative easing as a means to keep control of the inflation rate is, in my opinion, not necessarily good. Although inflation in itself can be good (as it stimulates the flow of money and consumption), I see it more as an artificial and temporary means to achieve this effect as it does not grow the economy.

The second topic of the article is about the debt various governments hold from each other. This is interesting as the amount of this debt accumulated by various governments has become more and more over the years. This has lead to the interesting idea of swapping these debt against each other given the (according to the author) "ridiculous situation where one part of the government owes another part and vise versa". I agree on this point with the author on this as it makes little sense from an accounting perspective. However, I also see the benefits from keeping the situation as it currently is as it allows for some parts of the government to have greater access to financial resources than others. Depending on policy objectives this can be a good thing.