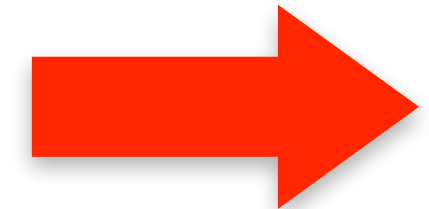


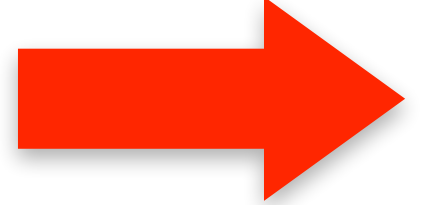
How is the Exchange Rate Determined?

Peg/Fixed  The government determines the exchange rate

Float



Exchange rate is determined by
Demand and Supply for the currency

Managed Float  Exchange rate is determined by Demand and Supply for the currency within limits after which the government intervenes

*China: the yuan, was pegged to
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Africa and the Middle East

Most advanced economies

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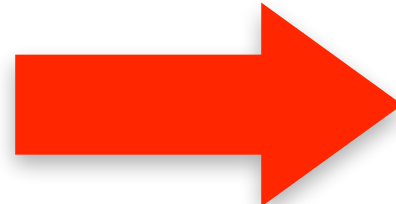
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History of Floating Exchange Rates

July 1944

The Bretton Woods Conference established the Monetary International Fund (IMF) and the World Bank

1967

Run on gold and an attack on the British pound caused a 14.3% devaluation

1973

System collapsed

July 1944

Gold price was set at \$35 per ounce (participating countries pegged their currency to the dollar)

1971

President Nixon took the U.S. off the gold standard